

Cluj-Napoca
10th of August.2016

**INDIVIDUAL FINANCIAL STATEMENTS
FOR PERIOD ENDED 30TH OF JUNE 2016**

Drafted according IFRS (International Financial Reporting Standards)



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Căramizi inteligente **EVO**CERAMIC

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CEMACON SA
 Situatia pozitiei financiare
 (Statement of financial position)
 pentru perioada incheiata la 30 Iunie 2016
 (for the period ended 30 June 2016)

ACTIVE (ASSETS)		30-Jun-16	31-Dec-15
Active imobilizate		LEI	LEI
Non-current assets			
Imobilizari corporale <i>Property, plant and equipment</i>	11	112,250,394	114,502,556
Investitii imobiliare <i>Investment property</i>		-	-
Imobilizari necorporale <i>Intangible assets</i>	12	379,982	437,597
Investitii in actiuni <i>Investments</i>	14	200	200
Alte active imobilizate <i>Other non-current assets</i>		150,716	151,356
		112,781,292	115,091,710
Active circulante			
Current assets			
Stocuri <i>Inventories</i>	15	15,482,010	18,588,284
Creante comerciale si similare <i>Trade and other receivables</i>	16	9,048,700	13,250,919
Alte active financiare <i>Other financial assets</i>		528,402	1,027,799
Numerar si echivalente numerar <i>Cash and cash equivalents</i>	27	20,460,517	10,840,588
		45,519,629	43,707,590
Active clasificate drept detinute în vederea vânzării <i>Assets classified as held for sale</i>	11	1,163,439	1,163,439
TOTAL ACTIVE (TOTAL ASSETS)		159,464,360	159,962,739
DATORII (LIABILITIES)			
DATORII CURENTE			
CURRENT LIABILITIES			
Datorii comerciale si similare <i>Trade and other payables</i>	17	10,552,992	9,566,655
Imprumuturi <i>Loans and borrowings</i>	18	4,417,093	4,137,464
Subventii pentru investitii <i>Grants received</i>		-	-
Datorii privind impozitul pe profit <i>Tax liability</i>			

CEMACON SA
Situatia pozitiei financiare
(Statement of financial position)
pentru perioada incheiata la 30 Iunie 2016
(for the period ended 30 Iunie 2016)

Provizioane <i>Provisions</i>	20	4,044,555	5,211,793
		19,014,640	18,915,912
DATORII PE TERMEN LUNG			
NON-CURRENT LIABILITIES			
Datorii comerciale si similare <i>Non-current trade and other liabilities</i>	17	-	-
Imprumuturi <i>Loans and borrowings</i>	18	51,370,728	53,086,699
Subventii pentru investitii <i>Grants received</i>		1,196,658	1,234,479
Impozit amanat <i>Deferred tax</i>	21	-	-
Provizioane <i>Provisions</i>		-	-
		52,567,386	54,321,177
TOTAL DATORII (TOTAL LIABILITIES)		71,582,026	73,237,089
ACTIVE NETE (NET ASSETS)		87,882,335	86,725,650
CAPITAL SI REZERVE (EQUITY)			
Capital social <i>Issued capital</i>	23	20,613,371	20,613,371
Beneficii acordate angajatilor in instrumente de capitaluri proprii <i>Benefits granted to employees in equity instruments</i>		1,634,562	1,307,649
Impozit profit amanat <i>Deferred tax</i>		(1,372,358)	(1,372,358)
Actiuni proprii <i>Own Shares</i>		-	-
Prime legate de emiterea de actiuni <i>Share premium</i>		54,850,347	54,850,347
Ajustari din retratare <i>Translation adjustments</i>		-	-
Rezerve <i>Reserves</i>	24	18,632,315	18,632,315
Rezultat reportat <i>Retained earnings</i>		(6,475,903)	(7,305,674)
TOTAL CAPITALURI (TOTAL EQUITY)		87,882,334	86,725,650

All amounts in Lei, if not otherwise stated

CEMACON SA
Situatia rezultatului global
(Statement of comprehensive income)
pentru perioada incheiata la 30 Iunie 2016
(for the period ended 30 June 2016)

		30-Jun-16 LEI	30-Jun-15 LEI
Venituri din vanzari	3	39,468,914	34,853,342
Sales revenues			
Alte venituri din exploatare	4	3,080,296	2,109,133
<i>Other operating revenues</i>			
Castiguri din vanzari de Active		9,285	(706,878)
<i>Revenues related to Sale of Assets</i>			
Variatia stocurilor		(1,456,727)	599,165
<i>Change in inventories of FG & WiP</i>			
Materii prime si consumabile	15	(8,310,326)	(7,591,807)
<i>Raw material and consumables used</i>			
Cheltuieli de personal	6	(8,395,832)	(6,479,687)
<i>Personnel Expenses</i>			
Amortizare si deprecieri		(3,200,554)	(2,866,035)
<i>Depreciation and amortisation expenses</i>			
Cercetare si dezvoltare		-	-
<i>Research and development</i>			
Alte cheltuieli din exploatare	5	(18,240,246)	(15,780,449)
<i>Other operating expenses</i>			
Profit / (Pierdere) din exploatare		2,954,810	4,136,784
Profit / (Loss) from operation			
Venituri financiare	7	46,532	10,436,414
<i>Financial income</i>			
Cheltuieli financiare	8	(2,171,571)	(2,946,524)
<i>Financial expenses</i>			
Profit / (Pierdere) inainte de impozitare		829,771	11,626,674
<i>Profit / (Loss) before tax</i>			
Cheltuieli cu impozite (Tax expenses)	9	-	-
Profit / (Pierdere)		829,771	11,626,674
Profit / (Loss)			
Total rezultat global		829,771	11,626,674
Comprehensive income total			

All amounts in Lei, if not otherwise stated

CEMACON SA
Situatia fluxurilor de numerar
(Statement of Cash-flow)
pentru anul incheiat la 30 Iunie 2016
(for the period ended 30 June 2016)

Fluxuri din activitati de exploatare	30-Jun-16	30-Jun-15
<i>Cash flow from operating activities</i>	LEI	LEI
Incasari de la clienti <i>Customer encashments</i>	49,815,627	32,352,978
Plati catre furnizori <i>Supplier payments</i>	(25,760,094)	(23,681,534)
Plati catre angajati <i>Payments to employees</i>	(4,661,162)	(3,398,755)
Dobanzi platite <i>Interest Paid</i>	(1,227,111)	-
Plati impozite si taxe <i>Tax Payments</i>	(6,143,509)	(3,513,344)
Incasari din asigurari <i>Insurance encashments</i>	43,795	-
Plati de asigurari <i>Insurance payments</i>	(210,408)	(248,374)
Alte incasari <i>Other Encashments</i>	-	445
Alte plati <i>Other Payments</i>	-	(146,715)
Trezoreria neta din activitati de exploatare <i>Cash from operating activities</i>	11,857,138	1,364,701
Fluxuri de trezorerie din activitati de investitii		
<i>Cash flow from investing activities</i>		
Plati pentru achizitionarea de actiuni <i>Payments for acquiring shares</i>	-	-
Plati pentru achizitionarea de imobilizari corporale <i>Payments for acquiring assets</i>	(414,223)	(1,027,455)
Incasari din vanzarea de imobilizari corporale <i>Encashments from sold assets</i>	9,285	-
Dobanzi incasate <i>Encashments from interest</i>	14,069	32,848
Credite catre parti afiliate <i>Loans to affiliated parties</i>	-	-
Dividende incasate <i>Encashments from dividends</i>	-	-
Trezoreria neta din activitati de investitie <i>Cash from investing activities</i>	(390,869)	(994,607)

CEMACON SA
 Situatia fluxurilor de numerar
 (Statement of Cash-flow)
 pentru anul incheiat la 30 Iunie 2016
 (for the period ended 30 June 2016)

Fluxuri de trezorerie din activitati de finantare

Cash flow from financing activities

Plata datoriilor aferente leasing-ului financiar <i>Payments for financial lease</i>	(679,790)	(355,504)
Rambursari credite <i>Loans reimbursements</i>	(1,166,550)	(1,307,240)
Dividende platite si dobanzi bancare platite <i>Dividends paid and bank interest paid</i>	-	(548,642)
Trezoreria neta din activitati de finantare <i>Cash from financing activities</i>	(1,846,340)	(2,211,386)
Crestere /scadere neta de numerar <i>Net increase/decrease in cash and cash equivalents</i>	9,619,929	(1,841,292)
Numerar si echivalente de numerar la inceputul perioadei <i>Cash and cash equivalents at beginning of period</i>	10,840,588	12,338,661
Numerar si echivalente de numerar la sfarsitul perioadei <i>Cash and cash equivalents at end of period</i>	20,460,517	10,497,369

All amounts in Lei, if not otherwise stated

CEMACON SA
Situatia modificarii capitalurilor
(Statement of changes in equity)
pentru perioada incheiata la 30 Iunie 2016
(for the period ended 30 June 2016)

	Capital subscris si ajustari	Prime de emisiune	Rezerve din reevaluare	Rezerve legale	Alte rezerve	Rezultat nedistribuit	Alte elemente ale capitalurilor proprii	Prima aplicare a IAS29	Total
	Issued capital and adjustments	Share Premium	Reevaluation reserves	Legal reserves	Other reserves	Undistributed result	Other capital elements	1st application of IAS 29	Total
31-Dec-14	17,433,454	-	25,434,102	1,142,146	1,719,635	(15,887,049)	(1,136,362)	(10,665,606)	18,040,320
Rezultatul global curent <i>Current global result</i>	-	-	-	-	-	9,090,953	-	-	9,090,953
Diferente capitalizate aferente impozitului amanat <i>Capitalised differences related to deferred tax</i>	-	-	-	-	-	-	(235,995)	-	(235,995)
Cresteri din reevaluari <i>Reevaluation Gains</i>	-	-	494,248	-	-	-	-	-	494,248
Diminuari din reevaluare <i>Reevaluation Loss</i>	-	-	(1,789)	-	-	-	-	-	(1,789)
Majorare de capital prin aport <i>Share Capital Increase</i>	10	-	-	-	-	-	-	-	10
Majorare de capital prin conversie datorie <i>Share Capital Increase through conversion</i>	3,179,907	54,850,347	-	-	-	-	-	-	58,030,254
Alte elemente de capitaluri proprii (beneficii angajati) <i>Other Share Capital Elements (employee benefits)</i>	-	-	-	-	-	-	1,307,649	-	1,307,649
Rezerva din reevaluare realizata aferenta vanzarilor <i>Revaluation reserve related to sale of assets</i>	-	-	(10,591,875)	-	-	10,591,875	-	-	-
Constituire rezerva legala <i>Legal Reserve</i>	-	-	-	454,548	-	(454,548)	-	-	-
31-Dec-15	20,613,371	54,850,347	15,334,686	1,596,694	1,719,635	3,341,231	(64,708)	(10,665,606)	86,725,650
Rezultatul global curent <i>Current global result</i>	-	-	-	-	-	829,771	-	-	829,771
Alte elemente de capitaluri proprii (beneficii angajati) <i>Other Share Capital Elements (employee benefits)</i>	-	-	-	-	-	-	326,913	-	326,913
30-Jun-16	20,613,371	54,850,347	15,334,686	1,596,694	1,719,635	4,171,002	262,205	(10,665,606)	87,882,334

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1. Accounting policies of Cemacon

Drafting principles

The main accounting policies adopted in preparing the financial statements are listed below. These policies have been constantly applied, for all the reported years, unless otherwise provided.

The financial statements are expressed in the national currency (Lei), which is also the entity's functional currency.

Amounts are rounded up to the closest Leu, unless otherwise provided.

These financial statements have been drafted in accordance with:

- the International Financial Reporting Standards (IFRS) adopted by the European Union;
- the Accounting Law 82/1991, as republished ("Law 82");
- Order no. 881/2012 of the Ministry of Finance on the application of the International Financial Reporting Standards ("IFRS") by trading companies whose securities are admitted to trading on a regulated market;
- Order no. 1286/2012 of the Ministry of Finance approving the Accounting Regulations in accordance with the International Financial Reporting Standards (IFRS), applicable to trading companies whose securities are admitted to trading on a regulated market, as subsequently amended.

Drafting the financial statements in accordance with the IFRS requires using certain critical accounting estimates. Drafting the financial statements in accordance with Order 1286/2012 of the Ministry of Finance requires that the Company's management makes estimates and hypotheses affecting the reported value of assets and liabilities, the presentation of contingent assets and liabilities upon drafting the financial statements, and the reported income and expenditure for the period. Although these estimates are made by the Company's management based on the best information available on the date of the financial statements, the results obtained may be different from these estimates.

Estimates and judgements are continuously assessed and rely on historic experience and other factors, including the forecasts on future events that are thought to be reasonable under the circumstances.

These financial statements have been drafted according to the principle of business continuity which means that the Company will continue doing its business in the predictable future. To assess the applicability of this assumption, the management analyses the forecasts on future cash inflows.

Based on these analyses, the management believes that the Company will be able to continue doing its business in the predictable future and, therefore, the application of the principle of business continuity in drafting the financial statements is well-founded.

Measurement basis

The financial statements have been drafted based on the historical cost, except for the items mentioned in the notes.

Change of accounting policies

New standards and interpretations entered into force

Starting with 2015 EU has adopted the following IFRS standards and their corresponding amendments:

IFRS 11 Joint ventures replaces IAS 31 Interests in joint ventures and SIC-13 Joint ventures – Non-cash contributions of shareholders. IFRS 11 eliminates the option of the accounting the joint ventures (ECC) applying the proportional consolidation. Instead, ECC which comply with the definition of a joint shall be managed by the equity ethos. Adopting this standard had no impact on the financial statements of the Company.

IFRS 11 Lump commitments (Amendment): Accounting the acquisitions for joint operations shall be applied for annual periods starting from or after the 1st of January 2016. The standard has not been yet adopted by the European Union. The amendment refers to the accounting of the contributions for joint ventures, in the joint operations, explains the accounting method of the associated companies established in an economic activity, indicates the appropriate accounting treatment. The company is now in process of assessing the impact of this amendment on the financial position or on the performance.

The Amendments to IAS 1, Applicable for the financial years starting from or after the 1st of January 2016. Earlier application is allowed. This amendment has been adopted by the European Union in December 2015.

The Amendments to IAS 1 include the following five improvements to the presentation requirements stipulated in the standard. The definition of materiality was modified in order to clarify its applicability on the financial statements taken as a whole and on each presentation requirement within a standard. Likewise, there are amendments regarding the order of notes from the financial statements and the clarification of the fact that companies have flexibility in presenting their accounting policies in the explanatory notes. The company does not consider that these amendments shall have a significant effect on the financial statements.

IAS 16 tangible assets, has been amended by introducing a restriction of using the methods of income depreciation. This is motivated by the fact that the revenues generated by the mentioned assets is also affected by other factors than the use of benefits brought by that asset. The application of this amendment is mandatory beginning with January of 2016. The amendment was adopted by the EU in December 2015.

IAS 27 Individual financial statements (revised), as a consequence of applying the IFRS 10 and IFRS, 12 standard, include provisions limited to the accountancy for subsidiaries, investee companies and associated companies, within the individual financial statements. The amendment was adopted by the EU in December 2015, and the actual applying date is 1st of January 2016.

Standards and interpretations not entered into force

Certain new standards, amendments and interpretations of the existing standards are not yet entered into force for the financial year ended 30 of June 2016 and have not been applied in the preparation of these financial statements.

IAS 28 Investments in associated companies and in joint ventures (revised), following the new standards IFRS 11 Joint ventures and IFRS 12 Presentation of information related to interests in other companies, IAS 28 Investments in associated companies was re-named IAS 28 Investments in associated companies and in joint ventures, and describes the application of the equity method in the investments in investee companies, in addition to the investments in associated companies.

Accounting policies (continued)

IFRS 10 Consolidated financial statements replaces the fragment of IAS 27 "Individual financial statements" which focuses on the accountancy of the consolidated financial statements. It also includes the aspects from SIC-12 Consolidation – Companies with special purpose. IFRS 10 establishes a unique control pattern which applies to all the companies, including the companies with special purpose. The amendments introduced by IFRS 10 require that the management specifically determine which companies are investee companies and have to be consolidated by a parent company, compared to the IAS 27 requirements (applicable for annual periods starting with or after the 1st of January of 2014);

The amendments to IFRS 10 – Consolidated financial statements, IFRS 12 – Information to be presented related to interests in other companies and IAS 27 (2011) Individual financial statements, introduce the exception from the preparation of the consolidated financial statements of the investment companies, define the investment company and include presentation requirements specific for the investment companies (Investment companies), of the criteria mentioned in IFRS 12 Presentation of the relations with other companies, applicable for annual periods starting from or after the 1st of January 2014, includes all the information previously stipulated in IAS 27 regarding the consolidated financial statements, as well as all the other information previously stipulated in IAS 31 and IAS 28. The information refer to the investments of a company in subsidiaries, joint ventures, structured and associated companies. Likewise, there are new information to be supplied to the users of the financial statements.

IASB uses the term „investment company” for the companies which have as field of activity the investments with exclusive purpose to obtain a yield from the appreciation of capital, revenues from investments or both. Likewise, an investment company must assess the performance of its investments based on the fair value. The amendment relative to the investment companies stipulates an exception from the consolidation requirements provided by IFRS 10 and requires that the investment companies assess the subsidiaries at their fair value through the profit or loss account, instead of consolidating them.

IFRS 9, "Financial Instruments (2009)" - (effective date: annual periods starting with the 1st of January of 2018). This standard has not been adopted by the European Union. The standard replaces the IAS 39 regulations, „Financial Instruments: Acknowledgment and Evaluation”, regarding the classification and evaluation of the financial assets and liabilities, eliminates the categories of securities owned up to their maturity date, available for sale and credits and receivables, existent in IAS 39. The financial assets shall be classified at their initial acknowledgment as: financial assets evaluated at depreciated cost or financial assets evaluated at their fair value. A financial asset is evaluated at a depreciated cost if it complies with the following two conditions: (i) -the asset is owned within a business pattern whose objective is holding of shares with the purpose of obtaining future cash-flows according to the contractual clauses; and (ii) – the contractual terms provide the generation of cash-flows on determined dates, representing only principal and interest payments corresponding to the current principal. The profits and loss from the revaluation of the financial assets evaluated at their fair value are recognized in the profit or loss account, except an investment in an equity instrument not held for transaction. IFRS 9 stipulates, at the initial recognition, an irrevocable choice to present all the changes of fair value corresponding to the investments in the comprehensive result situation. The choice is available at the individual level (share by share). No amount recognized in the comprehensive result is not re-classified in the profit or loss account at a subsequent date.

IFRS 15 – Revenues from contracts with customers (in force for the periods starting from or after the 1st of January 2017) – has not been adopted by EU. The standard issued 28th of May 2014 replaces IAS 11, AIS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC – 31. The standard is applicable to the contracts with

Accounting policies (continued)

customers, others than the insurance ones, financial instruments, leases. The standard provides a unique model of analysing the contracts with customers and two approaches of income recognition – at one moment or during the period of contract, depending on the moment of complying with the obligation according to the contract. The management of the company and of the entities in which it owns more than 50% considers that these amendments shall not have a significant effect on the separate financial statements.

In September 2015 an amendment of this standard, providing the deferment of the effective date of application of this standard until January 2018.

Revenue recognition

Revenues include the fair value of the amounts collected or to be collected as a result of selling the provided goods and services.

Sales revenues from selling goods are recognized if the following conditions are complied with:

- a) the significant risks and rewards resulting from the ownership of goods have been transferred to the purchaser;
- b) the company does not manage the sold goods as it would normally do in case of holding the ownership over them and does not have the effective control over them;
- c) the revenues can be reliably evaluated;
- d) it is probable that the economic benefits related to the transaction are generated by the company; and
- e) the costs borne or to be borne by in relation to the mentioned transaction can be reliably evaluated.

The revenues from „bill & hold” sales (escrow at seller) through which the purchaser becomes the owner of the goods and accepts their invoicing, but the delivery is deferred at its request.

The revenues are recognized when the purchaser has the ownership of goods under the following conditions:

- a) it is probable that the delivery of goods takes place
- b) Upon the recognition of the sale, the goods are available, identified and ready to be delivered to the purchaser
- c) The purchaser clearly confirms the instructions for the deferment of delivery; and
- d) The usual payment conditions are complied with.

The revenues are not recognized if there is only the intention of acquiring or producing the goods in due time in order to be delivered.

If the entity registers significant risks related to the ownership, the transaction does not represent a sale and the revenue are not recognized.

If the company registers only an insignificant risk related to the ownership right, than the transaction represents a sale and the revenues are recognized.

Sales revenues from the provision of services are recognized if they can be credibly measured.

Accounting policies *(continued)*

The revenues related to the transaction must be recognized depending on the execution phase of the transaction at the closing of the balance. The result of a transaction can be reliably evaluated if the following conditions are complied with:

- a) the value of the revenues may be reliably evaluated;
- b) it is probable that the economic benefits related to the transaction are generated for the entity;
- c) the phase of transaction completed at the end of the reporting period may be reliably evaluated;
- and
- d) the costs borne for the transaction and the cost of transaction completes may be reliably evaluated.

When the result of a transaction involving provision of services can not be reliably evaluated, the revenues are recognized only to the extent of the recognized expenses that can be recovered.

Rental and royalty revenues are recognized based on the principles of commitment accounting in accordance with the economic substance of the relevant contracts.

Interest revenues are recognized on a regular basis, proportionally, as such revenues are generated.

Dividend revenues are recognized upon determining the right of the shareholder to receive the payment.

Revenues from reduction or cancellation of provisions, and from the adjustments for depreciation or impairment, are recognized if they are not justified any more, the risk or the expense becoming enforceable.

Commercial discounts granted after issuing the invoice are booked in the profit and loss account as part of the operating revenues.

In these financial statements, the income and expenditure are presented as gross amounts. In the balance sheet, liabilities and receivables involving the same partners are presented as net amounts if there is a compensation right.

The gains from the sale of assets are presented at their fair value.

Conversion of foreign currency transactions

The Group's transactions in foreign currencies are booked based on the exchange rates announced by the National Bank of Romania ("NBR") for the transaction date.

At the end of each month, foreign currency balances are converted into Lei based on the exchange rates announced by the NBR for the last banking day of the month.

Gains and losses deriving from the settlement of foreign currency transactions and from the conversion of monetary assets and liabilities expressed in foreign currencies are recognized in the profit and loss account, as part of the financial result.

Accounting policies *(continued)*

Financial assets

The entity classifies the financial assets into one of the categories presented below, depending on the purpose they were purchased for.

- *Evaluation based on the fair value through the profit and loss account* – achieved only for categories of derivatives kept for sale. These are recognized in the balance sheet at their fair value, whereas changes in value are recognized in the profit and loss account.
- *Recognition as debt or receivable* – this category is for assets having a fixed maturity or that can be easily determined and are not quoted on an active market. These usually appear from formed provisions relevant to the commodities or services for the customer, but may also incorporate other types of monetary assets relevant to contracts. These are initially recognized at their fair value plus the transaction costs, directly attributable to the purchase or issue, being later recognized at the amortized value using the market interest rate method less the impairment adjustment.

The impairment adjustment is recognized when there is strong proof that the entity will not be able to collect all the amounts having reached maturity according to the collection deadlines, the adjustment sum is given by the difference between the net book value and the present value of the future cash flows relevant to the adjusted receivables. For receivables presented as net value such adjustments are booked on separate adjustment accounts, whereas the loss is recognized as administrative expenditure in the global result statement. The moment the failure to collect is certain, the gross value of the asset is canceled by the relevant provision value.

At regular time intervals, the entity will renegotiate the contractual terms regarding the outstanding receivables for customers who have had a good transaction history. Such renegotiations will determine changes in the collection time and the expected new cash inflows will be discounted using the initial interest, any difference resulting from the application of the method will be recognized in the profit and loss account.

The entity's financial assets consist of trade receivables, other receivables, cash and cash equivalents, included in the statement of financial position.

The cash and cash equivalents include: the petty cash and cash in current bank accounts, term deposits, other short-term investments with very high liquidity or falling due within 3 months, and for the purpose of drafting the statement of cash flow – bank overdraft – it is presented under the current liabilities and loans in the statement of financial position.

The accounting of foreign currency monetary operations is kept both in the currency they were conducted and in the national currency, the conversion into the national currency is made according to the accounting policies regulating the *conversion of foreign currency transactions*, presented earlier herein.

Accounting policies *(continued)*

Financial liabilities

The company classifies the financial liabilities into one of the categories presented below, depending on the purpose they were engaged for.

- *Evaluation based on the fair value through the profit and loss account* – achieved only for categories of derivatives kept for sale. These are recognized in the balance sheet at their fair value, whereas changes in value are recognized in the profit and loss account.
- *Other financial liabilities: – this category includes the following:*

Bank loans are initially recognized at their fair value less the transaction costs directly attributed to obtaining the loans.

Liabilities and other short-term monetary liabilities are initially recognized at their fair value, being later presented at their cost value using the market interest rate method.

Commercial liabilities are booked at the value of the amounts to be paid for the received assets or services.

Equity

The financial instruments issued by the Company are classified as equity only to the extent that they cannot be classified as financial liabilities or financial assets.

The ordinary shares of the Company are classified as equity instruments.

Indebtedness cost

Indebtedness costs are recognized as financial expenses according to the contractual provisions for the period when the indebtedness costs fall due or are actually engaged.

Indebtedness costs that are directly attributable to the purchase, construction or production of an asset having long production cycle are included in the cost of that asset.

The production cost of assets having a long production cycle includes only indebtedness costs relating to the production period.

The indebtedness costs that are included in the production cost of assets having a long production cycle are the following:

- total interest expense;
- financial expense relevant to financial leasing contracts;
- exchange rate differentials relevant to foreign currency loans, as far as these are construed as an adjustment of the interest expense.

The cost capitalization starts when:

- expenses for such asset are borne;
- indebtedness costs are borne, and
- the necessary activities for preparing the asset in view of using it as pre-established or selling it are on-going.

Accounting policies *(continued)*

The indebtedness cost capitalization is interrupted during extended periods when no work is being conducted to achieve that asset.

The indebtedness cost capitalization is ceased when most of the necessary activities for preparing the asset that has a long production cycle in view of using it as pre-established or selling it are conducted, even if some of the administrative works may still continue.

The indebtedness costs borne during periods when capitalization is interrupted or after their capitalization ceases, are recognized in the financial expenditure entries.

Pensions and other post-retirement benefits

During the normal course of business, the Company makes payments to the public health fund, pensions fund, and unemployment fund on behalf of its employees, at the statutory rates. All the Company's employees are members of the pension scheme of the Romanian state. These costs are recognized in the profit and loss account at the same time wages are recognized.

According to the collective employment contract, the Company rewards the employees at their retirement age by giving them financial bonuses depending on their seniority in the company. The Company does not independently manage a private pension scheme.

Other long-term benefits

Other employee benefits expected to be settled entirely within 12 months after the end of the reporting period are presented as short-term liabilities.

Other employee benefits that are not extinguished within 12 months as of the end of the reporting period are presented as long-term liabilities and are calculated using discount rates. This is the case of employee benefits upon retirement. For more details, please refer to Note 19 – Employee Benefits.

Leasing contracts

The leasing contracts for tangible fixed assets whereby the Company undertakes all the risks and benefits relevant to the property are classified as financial leasing contracts.

The financial lease is the leasing operation which transfers the largest part of the risks and rewards corresponding to the ownership right to the asset and which complies with at least one of the following conditions:

- a) the ownership right over the good is transferred to the lessee until the end of the period of the leasing contract;
- b) the Company has the option to purchase the good at a price sufficiently low compared to the fair value when the option becomes exercisable, so that at the beginning of the lease contract there is reasonably the certainty that the option shall be applied;
- c) the duration of the leasing contract covers most of the useful life of the good, even if the title deed is not transferred;

Accounting policies (continued)

d) the total value of the lease payments, except the accessory costs, is higher or equal to the original cost of the good, represented by the value it was purchased by the financier, that is the acquisition cost;

e) the goods representing the object of the leasing contract have a special nature, so that only the lessee may use them without major changes.

Financial leasing costs are capitalized at the estimated discounted value of payments. Each payment is divided between the principal component and the interest component in order to obtain a constant interest rate during the reimbursement period. The payable amounts are included in the short-term or long-term liabilities. The interest component is included in the profit and loss account during the contract period. Assets held based on financial leasing contracts are capitalized and amortized during their useful life.

The leasing contracts where a significant part of the risks and benefits associated to the property is withheld by the lessor are classified as operational leasing contracts. The payments made based on such a contract (net of any facilities granted by the lessor) are recognized in the profit and loss account on a linear basis during the contract period.

Intangible assets

a) Purchased intangible assets

Intangible assets include computer software created by entities or purchased from third parties for internal needs, such as recipes, formulas, patterns, projects and prototypes.

An intangible asset is recognized only if:

- the future economic benefits estimated to be attributable to the asset are obtained by the company; and
- the cost of the asset may be credibly evaluated.

If an intangible asset is purchased separately, its cost may be evaluated with loyalty and is composed by:

- purchase price, import duties and other non-recoverable taxes, transport expenses, commissions, notary fees, permit related expenses and other expenses that may be directly attributable to the acquisition of those assets.
- Commercial discounts approved by the supplier and registered on the purchase invoice are deducted from the purchase price.

Other intangible assets can be subject to straight-line amortization for a period of 3 years.

Expenses allowing intangible fixed assets to generate future economic benefits beyond the originally foreseen performance are added up to their original cost.

b) Internally generated fixed assets (development costs)

Accounting policies *(continued)*

Development is the application of the research discoveries or other knowledge in a plan or project focusing on the production of materials, devices, products, processes, systems or services, new or substantially improved, before the initiation of the commercial production or use.

An asset generated by development is recognized if and only if all the following elements can be proved:

- technical feasibility for accomplishing the intangible fixed asset, so that it is available for use or sale;
- the company's intent of accomplishing the intangible fixed asset and of using or selling it;
- the capacity of using or selling the intangible fixed asset;
- the way the intangible fixed asset generates probable future economic benefits, the existence of a market for the production generated by the intangible fixed asset or for the intangible fixed asset as such;
- the availability of technical, financial or other resources suitable for complementing the development and for using or selling the intangible fixed asset;
- the capacity to credibly assess the expenses attributable to the intangible fixed asset during its development period.

The development expenses are recognized at their production cost.

The tangible and intangible fixed assets production activity requires a separation of the process into a research stage and a development stage.

When a distinction between the research stage and the development stage of an internal project for creating an intangible fixed asset cannot be made, the expenses relevant to that project are considered as having to do with the research stage, and are recognized in the profit and loss account.

No fixed asset deriving from research or from the research stage of an internal project is recognized. Research expenses are recognized as expenditure in the profit and loss account as soon as they are generated.

Research is the original and planned investigation conducted in view gaining new knowledge or scientific or technical meanings.

The production cost of the fixed assets originating from the development stage includes:

- direct expenses relevant to production, such as direct materials, power consumed for technological purposes, costs representing employee wages, legal contributions, testing costs regarding the correct operation of the asset, professional fees and charges paid in connection with the asset, the cost for obtaining the necessary authorizations;

Development expenses that are recognized as intangible fixed assets are amortized for the period during which the Company expects to obtain benefits following the developed products.

c) Concessions, patents, licenses, trade marks, rights and similar assets

Accounting policies *(continued)*

Concessions, patents, licenses, trade marks, rights and similar assets representing contribution, purchased or acquired by other means, are recognized in the intangible assets account at their purchase cost or their contribution value, where appropriate.

When the concession agreement does not provide an amortizable value of the concession, but only the payment of some monthly royalties, the concession can not be recognized as an asset.

When the concession agreement provides a duration and a total value of the concession, this is recognized as an intangible asset in the balance.

The depreciation of the concession is to be recognized during its period of use, established according to the contract.

The patents, licenses, trade marks, rights and other similar assets are depreciated during the period established for their use.

d) Goodwill

The internally generate goodwill is not recognized as an intangible asset.

Goodwill can be recognized as intangible asset only in the case of transferring all the assets or a part of them, and of debts and equity, as appropriate.

Goodwill may result from purchasing a business or as a consequence of some fusion operations.

For the recognition of the assets and debts received during this transfer, the Group must proceed to the evaluation of the fair value of the received elements, with the purpose of determining their individual value.

The goodwill resulting from a business acquisition represents the difference between the paid value and the fair value of the acquired net assets.

Tangible assets

a) Stripping costs, during the production stage of a surface mine.

The company Cemacon SA conducts Clay exploitation activities by performing mining works in the open in the exploitation perimeter Recea Cemacon, Varsolt commune, Salaj county. The clay deposit has the shape of a gentle hill, covered by a layer of vegetal soil having an average thickness of 0.3 m. In some areas of the deposit, under the vegetal soil layer, there is sandy clay that is not subject to exploitation. The thickness of the sandy clay layers varies between 1m and 5m. For the exploitation activity to be conducted under optimal conditions, the exploitation perimeter must be prepared by removing the covering consisting of vegetal soil and sandy clay, which cover the deposit.

The clay exploitation in the quarry is conducted in exploitation steps.

Accounting policies (*continued*)

Following the activity conducted in the quarry, the following types of materials may result:
Rubbish: vegetal soil and sandy clay – as a result of the stripping activity, unused in the production activity or capitalized in any other way.

Useful substance: yellow clay and blue clay – as a result of the exploitation activity, used in the production activity.

Rubbish (stripping) – as a result of the stripping activity, unused in the production activity, will be registered according to the International Financial Reporting Standards IFRIC 20.

The fixed asset will be called “**Stripping activity asset**”

This asset must be recognized only if the following conditions are met:

- 1. It is likely that the future economic benefit relevant to the stripping activity devolves on the entity;**
- 2. The entity can identify the component of the lode to which the access has been improved;**
- 3. The costs relevant to the stripping activity regarding that component can be reliably evaluated;**

The asset relevant to the stripping activity will be booked as an additional item or as an improvement of an existing asset.

The initial evaluation of the asset is made at the cost value, which is an accumulation of the costs directly borne for conducting the stripping activity through which the access to the identified ore component is improved, plus an allocation of the directly attributable management expenses.

The asset relevant to the stripping activity must be systematically depreciated or amortized, in accordance with the accounting policies regarding the amortization. *Purchased Tangible Assets*

The assets complying with the following recognition conditions are recognized in the category of fixed assets:

- they are assets generating future economic benefits;
- the cost of the element may be reliably evaluated

The acquisition cost includes:

1. the purchase cost, import duties and other non-recoverable taxes, transport expenses, handling, commissions, notary fees, permit related expenses and other expenses that may be directly attributable to the acquisition of those assets.
2. Commercial discounts approved by the supplier and registered on the purchase invoice are deducted from the purchase price of the assets.
3. Transport expenses are also included in the acquisition cost when the provision function is outsourced and when it is carried out by own means.
4. any costs directly attributable to adjusting the asset in order to function according to the company's rules.

b) Internally generated tangible assets

The production of the assets includes:

- costs representing the employee benefits, resulting directly from the building or purchasing the tangible assets element;
- costs resulting from the development of the location;
- initial delivery and handling costs;
- installation and assembly costs;
- testing costs regarding the correct operation of the asset, after deducting the net charges resulting from the sale of the elements produced during the transportation of the asset to the locations and during the adjustment of the asset for operation (for example the samples produced upon testing the equipment) and
- professional fees.

Indebtedness cost

Indebtedness costs that are directly attributable to the purchase, construction or production of an asset having long production cycle are included in the cost of that asset, just like it was presented in the present accounting policies.

The costs subsequent to a tangible assets are recognized:

- as expenses at the moment of their occurrence, if they are considered repairs or their purpose is to guarantee the continuous use of the asset, keeping the initial technical parameters; or
- as a component of the asset, as subsequent expenses, if the conditions of being considered investments are complied with.

Conditions for the recognition as investments in fixed assets:

- they are assets generating future economic benefits;
- the element cost may be reliably evaluated.

The purchased fixed assets are initially recognized at their acquisition or production cost depending on the modality of being registered in the patrimony. Later, they are recognized depending on the type of asset, at the following values:

- Lands are evaluated at their reevaluated value
- Buildings are evaluated at their reevaluated value
- Equipment is evaluated at its historical cost.

If a completely amortized tangible asset can still be used, upon doing its reevaluation a new value and a new economic useful life are established, relevant to the period during which it is estimated to continue being used.

CEMACON SA
Notes to Financial Statements
for period 30th of June 2016

Accounting policies *(continued)*

In order to reflect the expected consumption rhythm of the future economic benefits of the assets, the company uses different amortization methods. The amortization methods applied to the assets are annually revised to see if there are significant changes compared to the initial estimates.

a) Straight-line amortization:

The amortization is calculated based on the entry value, using the straight-line method along the estimated useful life of assets, as follows:

<u>Asset</u>	<u>Years</u>
Constructions	5 - 45
Technical plants and machinery	3 – 20
Other plants, equipment and furniture	3 - 30

The amortization is calculated starting with the month following their start-up, until the full recovery of their entry value.

Lands are not amortized because they are considered to have an indefinite useful life.

b) Amortization calculated per product unit

Regarding the equipment within the production factory at Recea, the Company's management has decided that its amortization be calculated per product unit.

The amortization method calculated per product unit is applied because the nature of the tangible fixed asset justifies the application of such an amortization method, the useful life of fixed assets is expressed using the number of units produced expected to be obtained by the enterprise by using that asset, in the Company's case 8,470,000 sqm.

According to this method, the amortization rate is determined by dividing the monthly/annual production to the total number of products.

Since this type of amortization is difference from the fiscal (straight-line) depreciation, the company calculates and books a deferred tax relevant to the difference between the fiscal depreciation and the amortization per product unit.

Amortization is ceased for assets classified for sale.

Tangible fixed assets that are quashed or sold are eliminated from the balance sheet together with the relevant accumulated amortization. Any profit or loss resulting as a difference between the revenues generated by the quashing and its unamortized value, including the expenses caused by such an operation, is included in the profit and loss account under "Net value", as gains from sale of assets.

When the Company recognizes the cost of a partial replacement (replacement of a part) in the book value of a tangible fixed asset, the book value of the replaced part, with its relevant amortization, is quashed.

When selling or quashing reevaluated assets, the amounts included in the reevaluation reserves are transferred to reevaluation surplus.

Accounting policies (*continued*)

Depreciation of assets

Tangible and intangible fixed assets are tested for depreciation when facts and circumstances indicate that the book value may not be recoverable.

An impairment loss is recognized as the sum by which the book value of the asset exceeds the recoverable sum. The recoverable sum is the largest of the fair value of the asset less the sale costs and the utility value.

To evaluate the depreciation, assets are grouped down to the lowest level where separately identifiable cash flows exist.

Revaluation of assets

For assets whose value after recognition is reevaluated, the company carries out sufficiently regular revaluations in order to guarantee that the book value is not significantly different from that determined by using the fair value at the end of the reporting period.

If an asset element is reevaluated, then the entire tangible assets class corresponding to that element must be reevaluated.

Upon the revaluation of a tangible asset, any amortization accumulated at the reevaluation date is:

a) recalculated proportional to the change in the gross book value of the asset, so that the book value of the asset after revaluation is equal to its reevaluated value. This method is used in case the asset is reevaluated with an index in order to reach the replacement cost, less the corresponding amortization;

or

b) eliminated from the gross book value of the asset and the net value recalculated at the reevaluated value of the asset. For example, this method is used for the buildings reevaluated at their market value.

Revaluation differences are recognized according to the applicable standards (IAS 16 "Tangible assets" paragraphs 39, 40)

Fixed assets held for sale

Fixed assets are classified as held for sale the moment they:

- are available for immediate sale
- the company's management has committed a sale plan
- there are only slight chances that the sale plan suffer major changes or be withdrawn
- an active program for finding purchasers is started
- the asset group is traded at a reasonable price in comparison to the fair value
- the sale is expected to be concluded within 12 months as of classifying the assets as held for sale.

Assets held for sale are evaluated at the lowest of the book value and the fair value.

Assets held for sale are not amortized.

Accounting policies (*continued*)

Dividends

Dividends are recognized when they can be duly paid:

- In the case of interim dividends, payable to the existing shareholders, the recognition is effective when they are declared by the Directors.
- In the case of final dividends, their recognition is effective when they are approved at a General Meeting of Shareholders

Deferred tax

The assets and liabilities regarding the deferred tax are recognized if the book value of an asset or liability in the statement of financial position differs from its taxation base, except for differences appearing on:

- the initial recognition of the goodwill
- the initial recognition of an asset or liability in a transaction that is not a combination of enterprises and at the transaction time does not affect the bookkeeping or the taxable profit, and
- investments in subsidiaries and jointly-controlled entities, if the group is capable of controlling the time of taking charge of the difference, and if it is likely that the difference does not reverse in the near future.

The recognition of receivables regarding the deferred tax is limited to cases where it is likely that the taxable profit is available as compared to the difference that can be used.

As regards the assets having to do with the deferred tax deriving from real estate investments evaluated at their fair value, it will be presumed that the recovery is achieved rather by sale than by utilization.

The value of the asset or of the liability is determined using the taxation rates already adopted or largely adopted until the reporting date and are expected to apply is the deferred tax liabilities / (assets) are discounted / (recovered).

Assets and liabilities regarding the deferred tax are compensated when the company has the legal right to compensate the current fiscal assets and liabilities and the deferred tax assets and liabilities when they refer to the taxes collected by the same fiscal authority from the same company.

Inventories

Inventories are current assets:

- held in order to be sold along the normal development of the activity;
- in process of production, in order to be sold in the normal development of the activity; or
- as raw materials, materials and other consumables to be used in the production process or for providing services.

Accounting policies *(continued)*

Inventories are originally recognized based on their cost value and later based on the lowest of the cost value and the net realizable value. The cost is composed of all the purchase costs, the conversion cost and other costs borne in order to bring the inventories to the current location, in their current condition.

In the case of end products, the production cost includes the acquisition cost of raw materials and consumables and the production expenses directly attributable to the asset. The cost is determined based on the "First-in, First-out" (FIFO) method.

Where necessary, adjustments are made for stocks, physically and morally outdated. The net realizable value is estimated based on the sale price netted against the sale expenses.

If the book value of inventories is larger than the book value (net realizable value), the value of the inventories is reduced down to the net realizable value by making an impairment adjustment.

Assets in the form of inventories are evaluated based on the book value, less the acknowledged impairment adjustments.

Due to the nature and specificity of the activity, for certain categories of inventories such as raw materials, spare parts, auxiliary materials, and end products, the inventories are analysed on the balance sheet date and an adjustment is made for products that are deteriorated or morally outdated.

Subsidies

Subsidies received in view of purchasing assets such as tangible fixed assets are booked as investment subsidies and are recognized in the balance sheet as deferred income. The deferred income is recognized in the profit and loss account as the amortization expenses are booked or upon quashing or assigning the assets purchased using such subsidy.

Provisions

The Entity will record a provision in its accounting books only when:

- (a) it has a current liability (legal or implied) generated by a previous event;
- (b) it is likely (there are more chances for it to happen than not to happen) that a resource outflow affecting the economic benefits be required in order to extinguish the liability; and
- (c) a relevant estimate of the liability value can be made

The sum booked as a provision is the best estimate of the payments required for extinguishing the current liability on the balance sheet date; in other words, the amount the entity would normally pay on the balance sheet date in order to extinguish the liability or transfer it to a third party, at that particular time.

In the provision evaluation process, the Entity will take into account the following:

- a) risks and uncertainties are taken into account. However, uncertainties do not justify the creation of excessive provisions or the deliberate overvaluation of liabilities.
- b) discount the provisions if the effect of the time-value of money is significant, using a discount rate(s), before taxation, reflecting the current evaluations on the market of the time-value of money, and the liability-specific risks that have not been reflected in the best estimate of expenses. If a discount is used, the provision increase due to the passage of time is booked as an interest expense;

Accounting policies *(continued)*

c) future events are taken into account, such as legislation amendments or technological changes, if there is sufficient proof that they would occur; and
d) not take into account gains from the forecasted assignment of assets, even if such prospective assignments are tightly related to the forecast generating event.

Provisions will be reanalysed on each balance sheet date and will be adjusted so as to reflect the best current estimate. If it is no longer likely that resource outflows – affecting the economic benefits – are required to extinguish the liability, the provision will be canceled.

The provisions will only be used for the purposes they were originally formed.

The Entity will not recognize provisions for future losses from the exploitation activity.

The value recognized as provision will be the best estimate of the necessary costs for extinguishing the current liability on the balance sheet date.

The best estimate of the necessary costs for extinguishing the current liability is the sum the Entity will reasonably pay in view of extinguishing the liability on the balance sheet date or to transfer it to a third party at that particular time. Often, it can be impossible or highly expensive to extinguish or transfer a liability on the balance sheet date. However, the estimate of the amount the Entity will reasonably pay in view of extinguishing or transferring a liability is the expression of the best estimate of the necessary costs for extinguishing the current liability on the balance sheet date.

The estimates of the financial results and effects are determined by the analysis methods of the Company's management, considering the experience gained in similar transactions and, in some cases, the reports drafted by independent experts. The elements taken into account include any proof provided by events occurring after the balance sheet date. However, the estimate of the sum that the Company will reasonably pay to extinguish or transfer a liability is the expression of the best estimate of the necessary costs for extinguishing the current liability on the balance sheet date.

The estimates of the financial results and effects are determined by the analysis methods of the enterprise's management, considering the experience gained in similar transactions and, in some cases, the reports drafted by independent experts. The elements taken into account include any proof provided by events occurring after the balance sheet date.

Doubtful elements regarding the sum to be recognized as a provision are treated in different ways, depending on the circumstances. If the provision to be evaluated involves a wide range of elements, the liability is estimated by weighing all the possible results with the probabilities to achieve each of them. This statistical method of evaluation is called "forecasted value". Therefore, the provision will differ depending on the probability (e.g. 60% or 90%) for a certain loss to be suffered. If there is a continuous range of possible results and if the probability for each of them to occur is equal, the middle point of the range will be used.

If a single liability is evaluated, the most probable individual result may form the best estimate of the debt. However, even in such situation, the entity will also take into account other possible results. Where other possible results are either higher or lower than the most probable result, the best estimate would be a larger or smaller amount. For example, if the Entity must remedy an error in the construction of a factory built for a customer, the most probable result would be that the repair is

Accounting policies *(continued)*

successfully conducted since the first attempt at a cost of 1,000, but a provision is formed for a larger amount if it is more likely that several attempts could be necessary.

The provision is evaluated before tax since the effects of taxation on the provision and changes of the latter are contemplated by IAS 12 "Profit Tax".

If a part of or all the expenses necessary to extinguish a provision are expected to be reimbursed by a third party, the reimbursement must be recognized only when it is certain that it will be received if the company extinguishes its liability. The reimbursement must be considered as a separate asset. The sum recognized for reimbursement must not exceed the amount of the provision.

In the profit and loss account, costs related to a provision will be presented at its value reduced by the amount recognized for reimbursement.

Provisions will be revised with each balance sheet and adjusted so as to reflect the best current estimate if a resource outflow incorporating the economic benefits is no longer probable; to extinguish a liability, the provision must be canceled.

If a discount is used, the book value of a provision increases during each period in order to reflect the passage of time. This increase is recognized as indebtedness cost.

Affiliated parties

An affiliated party is an individual or a company associated to the Entity preparing and presenting the financial statements.

Affiliated persons:

A person or a close member of the family is associated to the reporting Entity if:

- Is in control or associative control of the reporting Entity
- Has significant influence on the reporting Entity
- Is a member of the key management of the reporting Entity or of the parent company

Affiliated entities:

A company is an affiliated party if one of the following conditions is applicable:

- the entity and the reporting company belong to the same group (which means that each parent company, subsidiary and other subsidiary companies reporting to the same parent company are affiliated parties to one another).
- the entity is a shareholder or a partnership of the entity
- both companies are affiliated or associated in partnership with the same third party
- the entity is a partnership of a third party and the other entity is a shareholder of the same third party
- the entity is controlled or controlled in a partnership by an affiliated person, as defined under affiliated persons.
- the affiliated party having control or associative control of the reporting entity has significant influence on the entity (which is considered to be an affiliated party) or is a member of the key management of the entity.

Accounting policies *(continued)*

Transactions with the affiliated parties are defined as a transfer of resources, services or liabilities between the reporting entity and the affiliated party, regardless of whether a price is paid.

All the transactions with the affiliated parties are made based on the transfer pricing principles.

Risk factors

Internal risks

Accomplishing of the strategic and operational objectives is directly influenced both by the opportunities and by multiple risks and uncertainties generated by external factors like the evolution of the residential construction market, the seasonality and the weather conditions, but also by various internal factors.

Cemacón has implemented a risk management process characterized by the identification, quantification and proactive management of potential risks by measures of reducing them at a reasonable and consciously assumed level.

The risk management process include the following key elements:

- the objectives assumed by the management are feasible,
- the significant risks are objectively identified and evaluates, for all the processes and departments,
- appropriate resources are designated for the reduction, transference or elimination of the significant risks,
- the necessary measures are defined and implemented for the preventive control, reduction of risks and minimization of losses in case of occurrence of a negative event,
- the stage of implementing the control measures is constantly monitored,
- the organization risk level is periodically reevaluated,
- the pending risks are communicates and made aware in the organization.

At the level of the Company there are the internal control and risk management functions, which monitor the business risks and coordinate the committee of risk management in the main activity fields. A biannual updating of the risk map is carried out, which is discussed in the management committee and presented before the Board of directors. The annual budget package also includes an analysis of the major risks and measures taken into account by the management for their administration.

We present below the main operational risks in 2015 influencing the Company's performance and some observations regarding their evolution:

1. Commercial credit

Under the conditions of increasing the credit limits awarded to clients and of the financial difficulties relative to the construction area, the commercial credit represents one of the most relevant risk dimensions for Cemacón.

Accounting policies (continued)

Nevertheless, due to a commercial credit management system implemented in 2013 and developed in the following years, the financial losses from the non collection of balances in the market have been very reduced in 2015, below 40000 lei reported to a gross turnover of over lei 70 million.

This result was obtained by applying a commercial policy which stimulated the payment on due date and establishing securities by customers, and by the efficient and proactive application of the management procedures of the commercial credit and recovery of receivables.

Within the financial department there is a special person on the position of credit controller; to reduce the credit risk, the company has used in 2015, the third consecutive year, a commercial credit insurance with the market leader – the French company Coface -, as well as retainage guarantees from the customers, including letters of bank guarantee, mortgages, lens and guaranteed payment instruments.

The trade receivables of the Company consist of a large number of customers. The credit controller carries out a continuous evaluation of the balances and the non collection risk; customers are distributed in classes of risk, following a complex analysis considering the Coface rating, the caps covered by the commercial credit insurance, the securities and their quality, the customer's payment behaviour, as well as other quality information collected directly from the market by sales agencies and from other sources. Depending on the class of risk, periodical controls are applied relative to the bankruptcy proceedings, ONRC status, pending law cases, ANAF debts, CIP, as well as analyses on updated financial information with annual/biannual frequency.

2. Restarting the production line in Zalau

The restarting and optimal functioning of the production operations in Zalau factory, in suspension from year 2011, was an important opportunity which greatly contributed to the accomplishment of the annual objectives in 2015, as well as in the first part of 2016, through the product volumes, product quality and operational costs.

3. Quality of products

The total volume of merchandise reported with quality issues was of 0,04% out of the sale volume reported for January – June 2016, below the target indicator of 0,1%. The production and quality team is actively involved in the identification and implementation of measure of continuous improvement of the quality of products.

4. Guarantee a constant supply flow, with energy and raw materials

There have been no interruptions during the production process due to the lack of raw material. The power outages have been within the determined limits and have not disturbed the production and functionality program of equipment and machines

Accounting policies (continued)

5. Technical failures

The down-times due to accidental failures in machines and equipment have not influenced in a negative way the fulfillment of the annual production scheme for the 1st half of 2016 and the maintenance budget. The concern of the production team for actions of quality and preventive maintenance and the improvement of the specialization level of the intervention internal teams.

6. Compliance with the legal requirements

During the first half of year 2016 the company has had no fines or other penalties relative to the fiscal, anticompetitive, environmental and occupational safety aspects. No work accident has occurred. The management team is engaged in the observance and full compliance with all the legal requirements of any kind. Any identified nonconformity must be repaired as quickly as possible.

7. Actions of competition

During the first half of year 2016, the company has registered some situations of price positioning higher than the competition, which on a price sensitive market have generated disruptions in the completion of the monthly sales and deliveries schedule. The actions of the competition were counteracted by implementing a promotional campaign and by additional motivation of the traditional business partners.

8. Development of the portfolio of products

Cemacón has a balanced portfolio of ceramic block-type products, however the Company is always concerned with identifying innovative design solutions and releasing products which generate additional advantages for the beneficiaries.

The risk management process not only protects the company from unfavourable events, but also contributes to the identification of new opportunities of performance development and improvement of the operating mode in the organization, essential elements in order to generate high financial results and value for the shareholders.

External risks

Risk of exchange rate variations

The Company's currency transactions are recorded in the accounting records at the exchange rate as of their date, earnings and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currency, being recognized as expenses or income in the profit or loss account.

The cash balances in foreign currency are converted in RON at the exchange rate as of the end of the year.

Accounting policies (continued)

Interest rate risk

The interest rate risk has the risk that the value of a financial instrument fluctuates due to the variation of interest rates on the market. The Company's exposure to the risk of changes in interest rates primarily relates to variable interest bearing loans at a competitive edge which the Company has on the long-term. In order to reduce this risk, the management considers signing an interest rate swap.

Liquidity risk

The management of the liquidity risk belongs to the Company's management, which established a proper framework for the risk management regarding the short- and average-term provision of funds. The Company manages the liquidity risk by continuously monitoring the real cash flow and by mapping the maturity profiles of financial assets and debts.

The cash available at the end of the 1st half of 2016 is of 20,460,517 lei, over 50% of the turnover, and the necessity for working capital was financed during the period 2009 – 2016 without additional financing.

Risks on shares

In terms of value of transactions or market capitalization, the Bucharest Stock Exchange can be considered a small size stock exchange compared to other markets in the world, there being such risks related to the low market liquidity and high volatility of the traded share price.

The low market liquidity may determine the impossibility to buy or sale the Company's shares without a significant impact on the price of that share, thus generating a high volatility of share price.

Currently, the Company is majoritarily owned by investment funds, portfolio investors, has a small free float, fact which determines a lower liquidity on the Stock.

However, the wide restructuring of the Company has turned Cemacon into an attractive action for investors in 2015, too, when the trading price and the capitalization of the company have increased significantly:

Border market risk

The border market investors must be aware that such markets have a great risk than the markets of countries with developed economy and mature legal and political systems. This risk is determined by the need to adapt the legal system to create efficient instruments both legally and economically to ensure the required framework of a functional market economy.

The Romanian capital market classifies at the current level of development in the category of border markets, which have greater risks compared to developed markets, although they can provide greater performance to investors. The country risk is generated by the probability of political, social and economic contingencies, repeated legal changes, and fluctuations of exchange rate or high rates of inflation.

Accounting policies (continued)

Risk determined by the correlation with global market evolution

The events on the global financial market have a direct and indirect impact on the evolution of the Romanian economic market which is reflected on the evolution of the Romanian capital market in the last years. Therefore, the global evolutions affect both the Issuer's activity and its evolution on the capital market.

The Romanian economy, as any developing economy, is sensitive to the fluctuation of global business. The political, economic, social and any other type of events on the global market have a significant impact on the economic climate in which the Issuer carries out its activity.

Risks generated by the legislative instability

The results of Issuer's initiatives are difficult to predict and may suffer from the Romanian legislative instability. The frequent modification of norms, including those involving a direct impact on the Issuer's activity may generate risks for the Issuer.

The Issuer's effort to constantly adapt to the changing legislative requirements may generate significant additional costs and the possible future changes in the legislative framework may negatively influence the Issuer's activity and profitability.

Internal control system

The internal control system represents the set of measures and actions implemented at all levels, with the purpose of complying with all the Company's objectives through the optimal risk management, ensuring the efficiency and effectiveness of the operations, the accuracy of the financial reports and the compliance with the legal requirements. Control is an integral part of each process and responsibility of all employees, regardless of their role in the organization.

The internal control system implemented by Cemacon is based on several components, the following being the most important:

- Internal procedures manual, based on the good practices adapted to the activity field, which define the control activities and responsibilities for all the company's risk areas and is periodically revised,
- Quality, Environment, Occupational Health and Security Integrated Management System, providing the coordination, consistency and improvement of processes and operative mode and the compliance with the legal requirements,
- Budgeting and budget monitoring system, providing the determination and monitoring of the financial and operational objectives,
- Internal reporting system, providing relevant and accurate and information in due time for the monitoring of the processes and the taking of decisions,
- Periodical performance analyses, carried out for the evaluation of the functioning of the processes and operational results,
- Automation of processes and transactions in the information system, by the management of an information system very well configured, used and secured,
- Carrying out internal and external audits, which guarantee the effectiveness and compliance with the control and financial reporting standards.

Accounting policies (continued)

An important objective of the Internal Control System is the implementation of the best practices by the optimization and automation of the control procedures within the company, so that the control activities are not omitted or doubled, the processes are well done at the first try, the errors or mistakes are prevented, and the necessary corrective measures are taken in due time.

The functioning and performance of the internal control system is annually audited and the Management team is engaged in increasing the professional competence standards and implementing all the necessary corrective and improving measures in order to provide a strong reliable base and an insurance relative to management of risks and fulfillment of goals.

Events after the reporting date

The events after the balance sheet date are those events, both favorable and unfavorable, occurring between the balance sheet date and the date until the financial statements are authorized for lodging. Two types of events can be identified:

a) Those proving the conditions existing on the balance sheet date (events determining an adjustment of the financial statements), and

b) Those providing indications about conditions having occurred after the balance sheet date (events that do not determine an adjustment of the financial statements).

The financial statements of Cemacon SA are subject to approval by its shareholders after being issued, the approval date of the financial statements issue is the financial statements issue date, not the date when these were approved by the shareholders.

The events after the balance sheet date include all the events occurring until the date until the financial statements are authorized for lodging, even if such events occur after publishing an announcement on the profit or other financial information selected.

The entity will adjust the recognized values in its financial statements in order to reflect the events determining an adjustment of the financial statements.

The entity will not adjust the recognized values in its financial statements in order to reflect the events not determining an adjustment of the financial statements.

If the dividends of the holders of equity instruments (as defined in IAS 32, Financial instruments: presentation and description) are proposed or declared after the balance sheet date, the entity does not have to recognize such dividends as debt on the balance sheet date.

According to IAS 1 "Presentation of financial statements", the entity must present the value of dividends proposed or declared after the balance sheet date, but before authorizing the financial statement for lodging.

The entity may make these presentations of information either:

a) in the balance sheet, as a separate component of the equity, or

b) in the notes to the financial statements.

The entity will not draft the financial statements based on the business continuity principle if the management bodies determine after the balance sheet date either that they intend to wind-up the company or cease its trading activity, or that they have no other realistic variant besides these.

A deterioration of the operating results and of the financial position following the balance sheet date indicates the need to consider whether the business continuity principle is still suitable. If the business continuity principle is no longer suitable, the effect is so persistent that this IAS 10 Standard "Events after the reporting period" requires a fundamental change of the accounting basis rather than an adjustment of the values recognized on the initial accounting basis.

The entity must present the date when the financial statements were authorized for lodging, as well as who gave such authorization. If the entity's owners or others have the power to amend the financial statements after their issue, the entity will state this fact.

Accounting policies (continued)

The entity will publish the moment the financial statements were authorized for lodging because users must know that financial statements do not reflect events subsequent to that date.

If the entity receives, after the balance sheet date, information on the conditions having existed on the balance sheet date, the entity must update the information presented with regard to such conditions, in the light of the new information.

In some cases, the entity needs to update the information presented in its financial statements in order to reflect the information received after the balance sheet date, even if such information does not affect the values the entity recognizes in its financial statements.

Share-based payment

The Company will apply the provisions of IFRS 2 "Share-based payment" to distribute to accounts the following share-based payment transactions, including:

1. Equity-settled share-based payment transactions,
2. Cash-settled share-based payment transactions,
3. Transactions where the entity receives or purchases goods or services and the contractual terms confer the entity or the provider of goods/supplier of services the possibility to settle the transaction in cash

EUA Certificates

Pursuant to the environment regulations in force, Cemacon SA receives certification of greenhouse gas emissions (EUA Emission Unit Allowance), according to the program developed during the years 2013 – 2020.

In order to recognize these certificates the company has developed an accounting policy based on the treatment described in OMFP 1802, section 4.5.4. Green certificates in accounting, as follows:

The certificates to be received are to be booked based on a Receivable (461 = 758), similar to the note suggested by OMFP. The evaluation is carried out depending on the quantity to be received and the transaction price upon the recognition of receivable, on the exchange rates announced by the National Bank of Romania NBR for the transaction date.

The reception of certificates is completed by the extinguishing the receivable and its recognition in the 508 account (Other short term investments and similar receivables). The evaluation is carried out based on the quantity to be received and the transaction price upon the recognition of receivable, on the exchange rates announced by the National Bank of Romania BNR for the transaction date.

The price difference between the estimate on the date of entering the receivable and the reception date shall be recognized as expense /income.

At the end of the financial year, the green certificates registered in the 508 account (Other short term investments and similar receivables) are evaluated at the transaction price from the last day of the financial year, based on the exchange rate of NBR communicated for the end of the financial year.

The compliance with the EUA certificates is carried out the next year for the previous year, that is why the company books in the current year an operating cost corresponding to a debt (658=462). The evaluation shall be carried out depending on the refunded amount, at the transaction price of the last day of the financial year, evaluated on the exchange rate of NBR communicated for the end of the financial year.

The return of the certificates is carried out the year after the extinguishing of debt and deducts the certificates from the balance. The evaluation shall be carried out depending on the refunded amount and the transaction price at the return date, evaluated on the exchange rate of NBR communicated for the return date.

The price difference between the estimate on the date of debt entering and on the date of its return shall be recognized as expense/income.

CEMACON SA
Notes to Financial Statements
for period 30th of June 2016

* The accounting policies presented in the explanatory notes to the financial statements are not exhaustive. They present the main elements according to which the company develops its financial activity and they are drafted according to IFRS (International Financial reporting Standards). Their interpretation shall be carried out according to the present standards. In case of omissions or different interpretations compared to the above mentioned regulations the dispositions presented in the International Financial reporting Standards (IFRS) shall apply.

2. Accounting estimates

The entity carries out some estimates and assumptions relative to the future. The estimates and judgments are continuously evaluated based on the historical experience and on other factors, including expectations regarding the future events considered to be reasonable under the given circumstances. In the future, the actual experience may differ from these estimates and assumptions. The estimates and assumptions with a significant risk to cause an important adjustment of the accounting values of the assets and liabilities in the next financial exercise are presented below.

Estimates and Assumptions - IFRS 13 Fair value Measurement

A number of assets and liabilities in the financial statements of the company require a fair value measurement and / or presentation.

IFRS 13 defines fair value as the price that would be charged by selling an asset or paid by transferring a liability in a transaction regulated between market participants at the assessment date (i.e. an exit price). The definition of fair value emphasizes that fair value is a market-based assessment, not an entity-specific value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements except for the following cases:

- a) Share-based payment transactions covered by IFRS 2
- b) Lease transactions that fall under IAS 17
- c) Assessments which are similar to fair value, without being fair value, such as net realizable value which falls under IAS 2.
- d) Assets in the charts of accounts measured at fair value in accordance with IAS 19.
- e) Investment in pension schemes assessed at fair value in accordance with IAS 26.
- f) Assets the recoverable amount of which is fair value less costs related to transfer in accordance with IAS 36.

The Fair Value Hierarchy – in order to improve the consistency and comparability of fair value measurements and related disclosures, this hierarchy is classified in 3 levels:

- Level 1 Input Data - quoted prices unadjusted in active markets for identical assets and liabilities, to which the company has access to the assessment data.
- Level 2 Input Data – input data different from quotation prices included in Level 1 that are observable directly or indirectly for the asset or liability.
- Level 3 Input Data – unobservable input data for the asset or liability.

Litigation

The Company analyses existing disputes subsequent events existing at the reporting date to assess the need for provisions or disclosures in the financial statements.

Among the factors considered in making decisions on provisions are: the nature of the dispute, claim or assessment, the proceedings and potential level of damages in the jurisdiction in which the dispute was brought, the progress of the case (including the progress as of the date of the financial statements,

and before those statements are issued), the views and opinions of legal advisors, experience in similar cases and any decision of the company's management on how to respond to the litigation.

Depreciation at product level

For the equipment in Recea production plant, the Company's management decided that depreciation should be calculated per unit of product.

The depreciation method calculated per unit of product is applied because the nature of the tangible fixed asset justifies such depreciation method, the useful life of the fixed assets is expressed by the number of the produced units expected to be obtained by the Company using the mentioned asset, in case of the company 8,470,000 m³.

According to this method, the depreciation rate shall be determined dividing the monthly /annual production to the total number of products.

Corporate tax

The company believes that its commitments to tax liabilities are adequate for all years open to review, based on the evaluation of many factors including past experience and interpretations of tax laws.

This assessment is based on estimates and assumptions and may involve a number of complex judgments about future events. To the extent that the final tax outcome of these transactions is different than the amounts recorded, such differences will impact the corporate tax expense in the period in which such determination is made.

Provision for pensions

Provisions for pensions: according to the collective labour agreement valid in 2013, the Company's employees will receive on retirement, according to the seniority in the company the following compensation only once:

< 5 years	0
5 – 20 years	1 individual salary on retirement date
> 20 years	2 individual salaries on retirement date

Provisions for unused leaves

Provisions for unused leaves: the company registered provisions for leave-related expenses unused by the employees in 2015. The provisioned amounts were estimated based on the number of leave days related to 2015 which remained to be used by the Company's employees and related leave indemnities. The amounts related to such provisions have been done in a great measure in the first half of year 2016.

Environmental reclamation provisions

Environmental reclamation provisions: due to the fact that the company also carries out activities related to mineral resource exploitation (clay) under the operating permits and licenses, it is liable to make environmental reclamation expenses related to the exploited perimeters. The related expenses are estimated to be achieved by the end of the exploitation period, which is why the company established provisions related to such expenses.

CEMACON SA
Notes to Financial Statements
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Accounting estimates (Continued)

Other provisions

Within such categories, various provisions are included for which the entity is expected to achieve short-term cash outflows but with uncertain value. To estimate such amounts, the company used the best estimates and knowledge on the generating facts on the 30th of June, 2016, which are updated in order to reflect the value in time of the money, for they are long term settled amounts.

3. Revenues

Sales revenues	30.Jun.16	30.Jun.15
Sales of finished products	35.915.286	32.273.012
Sales of goods	3.464.469	2.519.858
Sales of services	89.159	60.472
Services pending	-	-
Rental revenues	-	-
Trade discounts	-	-
Total	39.468.914	34.853.342

All amounts in Lei, if not otherwise stated

The main revenues earned by the entity in the first half of 2016 are considered the sales of finished products 37.59 mil lei, sales of merchandise 3.4 mil lei and the provision of services 0.09 mil lei, and the value of the commercial discounts, corresponding to the product sales was of 1.68 mil lei.

As a consequence of the specificity of the activity during the year 2016, the company has had "Bill & Hold"-type sales. These sales have complied with the principles of recognition the income from finished product sale as a consequence of applying this kind of policy; furthermore, the products have been delivered to the customers in compliance with the medium delivery dates and the medium collection dates.

4. Other operational revenues

Other operating revenues are generated by activities that are not part of the overall scope of activity of the company and are therefore presented separated from sales revenue.

Other operating income	30.Jun.16	30.Jun.15
Revenues from various activities	121	37.126
Cancellation of other provisions	2.420.734	1.376.115
Miscellaneous	659.441	695.892
	3.080.296	2.109.133

All amounts in Lei, if not otherwise stated

Income corresponding to the reversal of provisions has numbered 2.42 mil lei (for more details, see **Note 20 "Provisions"**).

Income corresponding to greenhouse gas emissions certificates received during 2016 is of 0.37 mil lei.

CEMACON SA
Notes to Financial Statements
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Other operating income in amount of 0.28 mil lei.

Income from adjustments of stocks and receivables in amount of 0.017 mil lei.

In 2010 the company received a subsidy for investments in amount of 1.6 mil lei, and in 2016 the company has recognized as income corresponding to these subsidies the amount of 0.037 mil lei.

Income from subsidies are recognized related to the depreciation of the corresponding fixes assets.

The subsidy recognized refers to the 15% of the credit received by the company from BERD sources, for the energy efficiency project started during year 2009, together with the new brick factory in Recea.

In the first half of year 2016, the company has gained 0.0093 mil lei from the sale of assets.

Revenues from sale of assets	30.06.2016	30.06.2015
Income from sale of assets	9.285	22.229.669
Income from lease of assets		22.936.547
Revenues from sale of assets	9.285	(706.878)

All amounts in Lei, if not otherwise stated

5. Operating expenses

Other operating expenses	30.Jun.16	30.Jun.15
Utilities	5.243.431	4.565.066
Repairs	755.555	575.506
Rent	464.739	242.462
Insurances	305.413	192.264
Fees	293.465	264.954
Publicity	737.945	1.556.312
Travel and transport	6.412.115	3.849.982
Post and telecommunications	75.194	73.856
Other services provided by third parties	1.392.200	1.580.709
Taxes to the state budget	610.844	981.449
Environmental protection	-	-
Losses and adjustments for uncertain debts	43.178	11.719
Adjustments of stocks	-	(1.310)
Other provisions	1.229.353	1.181.599
Miscellaneous	676.814	705.881
	18.240.246	15.780.449

All amounts in Lei, if not otherwise stated

CEMACON SA
Notes to Financial Statements
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6. Personnel expenses

The Company has implemented since 2014 a complex employee performance management system. The performance management system in Cemacon is based on the Balanced Scorecard methodology and is 100% implemented at the individual level of each employee. The individual goals are determined by cascading at the department / subdepartment / person level of the annual goals of Cemacon. The level of goal fulfillment is periodically evaluated, following the evaluation the employees receive a monthly/quarterly and annually performance bonus proportional to the evaluation result and depending on the company's performance as a whole.

Personnel expenses	30.iun.16	30.iun.15
Salaries	3.501.986	2.976.513
Bonuses	1.765.629	1.183.855
Civil contracts	0	0
Taxes and social contributions	1.210.605	958.431
Other benefits	200.761	195.545
	6.678.981	5.314.344
<hr/>		
Salaries paid at the end of the period	429.717	370.884

All amounts in Lei, if not otherwise stated

Key Management

Key Management consists of those persons having the authority and responsibility to plan, direct and control the activities of the entity.

a) Allowances granted to members of administration, management and supervision boards

Indemnification expenses:	30.Jun.16	30.Jun.15
Managers	112.464	111.430
Bonuses	797.082	453.570
Directors	214.845	384.937
Payment based of shares	326.922	
Taxes and contributions	265.538	215.406
	1.716.851	1.165.343

All amounts in Lei, if not otherwise stated

During year 2016 the company has had 2 directors: General Manager – Stoleru Liviu-Ionel, Financial Manager - Sologon Daniel.

The directors' income consist of the monthly compensation and the annual bonus calculated based on the operational profit.

The company's managers are represented by:

CEMACON SA
Notes to Financial Statements
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Members of the Board of de Directors

Orion Strategy Solution SRL – by Liviu Stoleru

RSL Capital Advisors SRL- by Razvan Lefter

Consultanta Andrei & Andrei SRL - by Anca Manitiu

Ana Bobirca

Tiberiu Stratan

b) Advances and loans granted to members of the administrative, management and supervisory boards:

During year 2016 were not granted any advances or loans to the members of the administrative, management and supervisory boards.

Employees

The structure and average number of employees (equivalent to full time) is: 186

<i>Average number of employees</i>	30.Jun.16	30.Jun.15
Management staff	60	59
Production staff	126	132
Total	186	191

7. Financial income and expenses

Financial income	30.Jun.16	30.Jun.15
Income from securities disposed	-	-
Adjustment of investments	-	-
Interest income	14.069	32.920
Interest costs	(1.233.730)	(2.319.841)
Other financial income	-	8.980.236
Other financial expenses	(889.409)	(387.616)
Exchange differences	(15.969)	1.184.191
Net income / (costs)	(2.125.039)	7.489.890

All amounts in Lei, if not otherwise stated

The financial expenses consist mainly of the following categories: Interest expenses 1.23 mil lei, Financial discounts expenses (according to the sales policy) 0.88 mil Lei, Exchange differences 0.0484 mil lei.

Financial income are represented by exchange differences in amount of 0.032 mil lei and interest expenses in amount of 0.014 mil lei.

CEMACON SA
Notes to Financial Statements
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The structure of income and expenses from exchange differences corresponding to the period from January to June of 2016

	Revaluati on Suppliers	Revaluat ion Leasing	Revaluati on loans	Revaluation available	Revalu ation custom ers
Expenditure on foreign exchange differences	7.550	31.494		9.388	0
Revenues regarding exchange currency differences	4.340	27.909		214	0

8. Taxes

Current tax	31.Jun.16	31.Jun.15
Corporate tax expense for the year profit	-	-
Adjustments for previous years profit	-	-
Total current tax		
Deferred corporate tax	31.Jun.16	31.Jun.15
Total deferred tax at the beginning of the period	35.975	2.634.517
Reversing temporary differences	-	-
Recognition of deferred tax that was not previously recognized	-	-
Total deferred corporate tax	35.975	2.634.517
Total Tax	35.975	2.634.517

During the ordinary course of business, transactions and calculations are made for which the determination of final is uncertain. As a result, the company recognizes tax liabilities based on estimates regarding the certainty that additional taxes and interest will be due. These debts or liabilities are recognized, and despite the fact that the company believes that tax return is probable, the entity believes that certain positions are likely to be challenged and not be fully supported by a possible revision of tax authorities.

The Company believes that its commitments to tax liabilities are adequate for all years open to review, based on the evaluation of many factors including past experience and interpretations of tax laws.

This assessment is based on estimates and assumptions and may involve a number of complex judgments about future events. To the extent that the final tax outcome of these transactions is different than the amounts recorded, such differences will impact the corporate tax expense in the period in which such determination is made.

CEMACON SA
Notes to Financial Statements
for period 30th of June 2016

9. Earnings per share

Earnings per share	30.iun.16	30.iun.15
Weighted average Number of outstanding shares	113,990,218	82,191,053
Operational profit / (loss) (EBITDA)	6,155,363	7,001,921
Operational profit / (loss) (EBITDA) per share	0.0540	0.0852
Profit / (loss) from operation (EBIT)	2,954,810	4,136,784
Profit / (loss) from operation per share	0.0259	0.0503
Total profit/ (loss)	829,771	11,626,674
Total profit/ (loss) per share	0.007279	0.141500

The basic earnings per share has been calculated dividing the profit to the number of the outstanding ordinary shares issued on the 30th of June 2016.

For details relative to the number of shares, see Note 23 – “Capital stock”.

10. Dividends

In 2016 the Company did not pay any dividends.

According to the credit contract no. 2 of 19th of March 2015 signed between Cemacon SA and Romanian Commercial Bank (Banca Comerciala Romana), the dividends may be paid only with the bank's consent.

CEMACON SA
Notes to Financial Statements
for the period ended 30th of June 2016

11. Tangible assets

Gross value of assets as at 30th of June 2016

Tangible assets	Initial balance	Acquisitions	Value increase	Revaluation increase	Disposals	Revaluation movements (held for sale)	Revaluation decreases	Final balance
Land	5.136.018	-	-	-	-	-	-	5.136.018
Land improvements	388.922	-	24.143	-	-	-	-	413.065
Buildings	33.741.093	-	38.763	-	-	-	-	33.779.856
Machinery, Plant and Equipment	102.205.574	1.350.059	54.760	-	71.688	-	-	103.538.705
Furniture and office equipment	216.666	13.408	-	-	-	-	-	230.074
Fixed assets in progress	1.846.382	864.764	-	-	1.461.165	-	-	1.249.981
Total	143.534.655	2.228.231	117.666	0	1.532.853	-	0	144.347.699

Gross value of assets as at 31st of December 2015

Tangible assets	Initial balance	Acquisitions	Value increase	Revaluation increase	Disposals	Revaluation movements (held for sale)	Revaluation decreases	Final balance
Land	7.561.127	-	-	52.471	6.003.311	(3.538.778)	13.047	5.136.018
Land improvements	336.076	-	52.846	-	-	-	-	388.922
Buildings	34.398.068	336.400	465.485	520.236	8.297.760	(7.779.824)	1.461.160	33.741.093
Machinery, Plant and Equipment	100.299.545	1.061.669	860.424	-	10.337.159	(10.321.095)	-	102.205.574
Furniture and office equipment	168.603	27.038	11.047	-	20.538	(30.516)	-	216.666
Fixed assets in progress	691.433	4.085.603	-	-	2.930.654	-	-	1.846.382
Total	143.454.852	5.510.710	1.389.802	572.707	27.589.422	(21.670.213)	1.474.207	143.534.655

CEMACON SA
Notes to Financial Statements
for the period ended 30th of June 2016

Amount of depreciation and impairment as at 30th of June 2016

Depreciation	Initial balance	Depreciation and impairments during the year	Depreciation related to fixed assets transferred	Depreciation of fixed assets held for sale	Adjustments established during the year	Adjustments resumed on income	Final balance
Depreciation of land arrangements	183.909	20.287	-	-	-	-	204.196
Depreciation of buildings	-	785.705		-	-	-	785.705
Depreciation of machinery, plant, equipment	24.065.089	2.319.212	71.688	-	-	-	26.312.613
Depreciation of furniture and office equipment	61.529	11.691		-	-	-	73.220
Adjustments for impairment of land	68.124	-		-	-	-	68.124
Adjustments for impairment of machines, equipment and plant	4.653.447	-	-	-	-	-	4.653.447
Total	29.032.098	3.136.895	71.688	-	-	-	32.097.305

Amount of amortization and impairment as of 31st of December 2015

Depreciation	Initial balance	Depreciation and impairments during the year	Depreciation related to fixed assets transferred	Depreciation of fixed assets held for sale	Adjustments established during the year	Adjustments resumed on income	Final balance
Depreciation of land arrangements	134.560	49.349	-	-	-	-	183.909
Depreciation of buildings	-			-	-	-	-
Depreciation of machinery, plant, equipment	19.800.124	4.416.323	151.358	-	-	-	24.065.089
Depreciation of furniture and office equipment	54.301	19.381	12.153	-	-	-	61.529
Adjustments for impairment of land	2.322.080	-	2.253.956	-	-	-	68.124
Adjustments for impairment of machines, equipment and plant	4.653.447	-	-	-	-	-	4.653.447
Total	26.964.512	4.485.053	2.417.467	-	-	-	29.032.098

CEMACON SA
Notes to Financial Statements
for the period ended 30th of June 2016

Tangible assets (Continued)

Net value of tangible assets as of 30th of June 2016

Tangible assets June 2016	Gross value at 31.March 2015	Revaluations for sale	Depreciation	Adjustments	Net value at 31 March 2016
Land	5.136.018	-	-	68.124	5.067.894
Land improvements	413.065	-	204.196	-	208.869
Buildings	33.779.856	-	785.705	-	32.994.151
Machinery, Plant and Equipment	103.538.705	-	26.312.613	4.653.447	72.572.645
Furniture and office equipment	230.074	-	73.220	-	156.854
Fixed assets in progress	1.249.981	-	-	-	1.249.981
Total	144.347.699	-	27.375.734	4.721.571	112.250.394

Net value of tangible assets as of 31st of December 2015

Tangible assets 2015	Gross value at 31.Dec 2015	Revaluations for sale	Depreciation	Adjustments	Net value at 31 dec 2015
Land	5.136.018	-	-	68.124	5.067.894
Land improvements	388.922	-	183.909	-	205.013
Buildings	33.741.093	-	-	-	33.741.093
Machinery, Plant and Equipment	102.205.574	-	24.065.089	4.653.447	73.487.038
Furniture and office equipment	216.666	-	61.529	-	155.137
Fixed assets in progress	1.846.382	-	-	-	1.846.382
Total	143.534.655	-	24.310.527	4.721.571	114.502.556

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Tangible assets (Continued)

Fixed assets held for sale

As a result of signing the restructuring of loans with the Romanian Commercial Bank (Banca Comerciala Romana), most of the assets held for sale were transferred to Cemacon Real Estate Srl.

The assets represented by lands, buildings and equipment in the municipality of Zalau, in amount of 21,7 mil lei, were transferred in 2015 from Cemacon SA to Cemacon Real Estate at the same time with a novation of 5 mil eur from the banking debt.

From the assets transferred, a land of 1,06 mil lei, as well as a building of 0.10 mil lei could not be transferred in 2015, and are to be transferred when the transfer requirements are met.

Asset relevant to the stripping activity

Cemacon SA conducts Clay exploitation activities by performing mining works in the open in the exploitation perimeter Recea Cemacon, Varsolt commune, Salaj county (Company's own quarry)

Following the activity conducted in the quarry, the following types of materials may result:

Rubbish: vegetal soil and sandy clay – as a result of the stripping activity, unused in the production activity or capitalized in any other way.

Useful substance: yellow clay and blue clay – as a result of the exploitation activity, used in the production activity.

Rubbish (stripping) – as a result of the stripping activity, unused in the production activity, will be registered according to the International Financial Reporting Standards IFRIC 20.

The fixed asset will be called “*Stripping activity asset*”

The costs relevant to the stripping activity include:

- a) costs of materials and services used or consumed for the stripping works;
- b) costs of employee benefits, generated from the stripping asset.

**Net value of the stripping asset as of
30.06.2016**

Assets June 2016	Initial balance	Amortization and depreciation	Addition of value	Final balance
Stripping	587.379	51.135	33.908	570.152
Total	587.379	51.135	33.908	570.152

In 2016, the company Cemacon recognized an *Asset relevant to the stripping activity* in amount of 33.908 lei.

The stripping shall be depreciated using the straight-line depreciation method during a period of 12 years.

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Tangible assets (Continued)

Revaluation of fixed assets

The assets held by the company on 31st of December 2015 have been evaluated at their fair value by the appraisal company SC CS INVEST CONSULTING SRL, independent appraiser.

The revaluation has been carried out for lands and buildings.

For the assets in Zalau classified for sale the evaluation has been prepared, and the recognition has been made at the lowest value between the revaluated value and the book value.

In order to determine the fair value the following methods are used:

Locations	The valuation procedure
Recea (Factory)	The land was appraised by direct comparison technique (Level 1 property) and the buildings by the cost - net replacement cost approach, and the results were checked by the income approach (Level 3 property)
Panic plot of land (locality of Hereclean)	The land was appraised by direct comparison technique. (Level 1 property)
Beltiug (warehouse land)	The land was appraised by direct comparison technique (Level 1 property), and buildings by the cost - net replacement cost approach. (Level 3 property)

Revaluation differences were recorded either on account of capital in the revaluation reserve, either in the profit and loss account.

By applying these methods and related techniques, a set of values was obtained, which was interpreted by the appraiser and by their reconciliation was formed the appraiser's opinion on the possible market value obtainable in the relevant area on the appraisal date.

Changes of the revaluation reserve during the financial year are presented below:

Movements of revaluation reserves	2016
Revaluation reserve at the beginning of financial year	15.334.688
Increases from the revaluation reserve	-
Deductions from the revaluation reserve	-
Amounts transferred from the reserve during the financial year	-
Revaluation reserve at the end of the financial year	15.334.688

On 30th of June 2016, there were no restrictions on the distribution of the revaluation surplus.

Treatment of revaluation reserve for tax purposes

According to tax laws in Romania, by May 1, 2009, revaluation reserves of tangible assets became taxable only when their destination was changed.

Subsequently to changing the tax code, starting May 1, 2009 revaluation reserves of fixed assets made after January 1, 2004, which are deducted from the calculation of the taxable income through tax depreciation or expenditure on sold assets and / or retired, taxation is made at the same time with deduction of tax depreciation, that is at the discharge of these fixed assets, as appropriate.

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Tangible assets (Continued)

Impairment losses according to IAS 36, as reflected in the profit and loss account

Tangible assets are tested for impairment when facts and circumstances indicate that the carrying value may not be recoverable.

An impairment loss is recognized as the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher value of the asset's fair value less sales costs and value in use. In order to appraise impairment, assets are grouped at the lowest level at which separately identifiable cash flows exist.

Considering the recommendations of paragraph 36 of IAS 36.12, the entity examined the factors that might lead to clues to impairment on December 31, 2015.

Considering the aspects analysed, the entity believes that there is no evidence on impairment of assets in Recea factory and therefore the calculation of depreciation for assets from Recea on June 30, 2016 in accordance with paragraph 36.9 of IAS 36 is not necessary.

Currently from all the assets of Cemacon, the income generating activity is focused on Recea factory assets, land, buildings and equipment representing a clay quarry exploitation, preparation halls, and production, production line (press, dryer, oven etc), storage area and quarry machinery and logistics.

The value of adjustments for impairment for location Recea is as follows:

	Land	Building	Machinery and Equipment	Furniture	Total
Initial balance	-	-	4.653.447	-	4.653.447
Increases	-	-	-	-	-
Discounts	-	-	-	-	-
Final balance	-	-	4.653.447	-	4.653.447

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Tangible assets pledged and restricted

Tangible assets pledged and restricted 30.06.2016	Final balance
Land	6.197.466
Land arrangements	413.065
Buildings	33.881.846
Machinery, plant, equipment	103.538.705
Furniture and office equipment	230.074
Fixed assets in progress	1.249.981
Total	145.511.137

12. Intangible assets

Structure of intangible assets:

30th of June 2016

Intangible assets	Initial balance	Internal development	Acquisitions	Final balance
Development expenses	771.343	-	-	771.343
Concessions, patents, licenses	96.413		6.044	102.457
Other intangible assets	106.411		-	106.411
Total	974.167	-	6.044	980.211

31st of December 2015

Intangible assets	Initial balance	Internal development	Acquisitions	Final balance
Development expenses	489.058	282285		771.343
Concessions, patents, licenses	87.992		8.421	96.413
Other intangible assets	99.417		6994	106.411
Total	676.467	282.285	15.415	974.167

The structure of depreciation and value adjustments for intangible assets is as follows:

Depreciation and adjustments for assets 30 June 2016	Initial balance	Depreciation by year	Adjustments for depreciation	Final balance
Development expenses	389.573	46.156	-	435.729
Concessions, patents, licenses	70.943	8.500	-	79.443
Other intangible assets	76.053	9.003	-	85.056
Total	536.569	63.659	-	600.228

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Depreciation and adjustments for intangible assets 31 Dec. 2015	Initial balance	Depreciation by year	Adjustments for depreciation	Final balance
Development expenses	345.637	43.936		389.573
Concessions, patents, licenses	55.189	15.754		70.943
Other intangible assets	59.474	16.579		76.053
Total	460.300	76.269		536.569

Net value of intangible assets:

Asset Type	2015		2016	
	Stock value	Net value	Stock value	Net value
Development expenses	771.343	381.770	771.343	335.614
Concessions, patents, licenses	96.413	25.470	102.457	23.014
Other intangible assets	106.411	30.358	106.411	21.355
Total	974.167	437.598	980.211	379.983

The expenses of intangible assets depreciation, in the profit and loss account, are booked in the amortizations and depreciations of the Total Result.

13. Goodwill and Depreciation

The Company does not hold on 30th of June 2016 any intangible assets as goodwill.

Tangible and intangible assets are tested for depreciation when facts and circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher value of the asset's fair value less sales costs and value in use. To appraise impairment, assets are grouped at the lowest level at which separately identifiable cash flows exist.

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14. Financial assets

Investments in shares	Jun.16	Dec.15
Investments in subsidiaries	200	200
Investments in associates	-	-
Investments in jointly controlled entities	-	-
Investments available for sale	1.278.223	1.278.223
Depreciation	(1.278.223)	(1.278.223)
Amounts payable for investments	-	-
	200	200

Investments in subsidiaries refer to the company Cemacon Real Estate Srl, controlled by Cemacon SA in proportion of 100%.

Cemacon Real Estate SRL is a limited liability company, legally incorporated, according to the Romanian law, with the registered office in the municipality of Zalau, 1 Fabricii str. Salaj county, Romania, Trade Register no. J31/414/2014, Tax Identification number RO32604048.

Based on the Novation contract signed between BCR, Cemacon and Cemacon Real Estate, the last one shall take a part of the Existing Payment Obligations of Cemacon to BCR.

Long-term securities are valued at historical cost less possible adjustments for impairment. Classification of securities in financial assets or short-term investments is made depending on the intention of the Company of holding securities up to a year or more than a year.

Activities and the percentage of the share capital held by the Company in businesses representing securities held as financial assets are summarized below:

Name of company	Country of registration	Date of registration	Object of activity	Percentage held
Cercon Ariesul SA	Romania	2004	Production of construction materials; bankruptcy	11,45%
Cemacon Real Estate Srl	Romania	2013	Purchase and sale of own real estate property	100%

On June 30, 2016, the Company held shares with an acquisition cost of RON 1,278,223, for which in 2010 a provision for impairment of shares was recorded, amounting to RON 1,278,223 (December 31, 2010: RON 1,278,223), the reason being that SC Cercon Aries SA entered bankruptcy proceedings starting June 11, 2009.

On June 30, 2016, the Company had shares in Cemacon Real Estate Srl in amount of 200 lei, representing 100% of its capital.

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On June 30, 2016, the Company had securities for rented spaces and securities for environmental reclamation at ANRM, totalizing 114.741 lei.

On June 30, 2016, the Company had no loans granted at SC Cercon Aries S. A. and it did not guarantee for any of the loans contracted by S.C. Cercon Ariesul S.A.

During year 2015, Cemacon has signed two loan agreements with Cemacon Real Estate:

Loan agreement no. 2894/20.03.2015, loan awarded for the restructuring needs and conclusion of the loan agreement with BCR;

Loan agreement no. 2992/20.03.2015, loan awarded for payments necessary for the development of the current activity;

The balance of these contracts on 30.06.2016 is of 483.694 lei.

In the context of restructuring the Company's banking debts, completed in September 2015, Cemacon SA assumed to guarantee the payment obligation of Cemacon Real Estate SRL, 100% owned by Cemacon SA, so that the entity established a first lien mortgage in favor of the creditor (BCR) over all the shares owned by the Bank in Cemacon Real Estate, as well as a personal security (suretyship), in a maximum amount of EURO 3.000.000.

The net book value of the assets held for sale in Cemacon Real Estate SRL totalize RON 22.065.392 (euro 4.876.869, calculated at the lei/euro exchange rate communicated by the national Bank of Romania on 31st of December 2015) representing 97.5% of the debt of Cemacon Real Estate SRL to Banca Comerciala Romana (Romanian Commercial Bank). The book value is based on evaluation reports on 31.12.2015, prepared by ANEVAR, certified appraiser.

Based on the developed sales procedures (purchase offers received) and on the real estate market information, the management of Cemacon S.A considers improbable an outflow of resources as the suretyship existent between Cemacon S.A and Cemacon Real Estate SRL, at the end of the period of 5 years related to the credit of Cemacon Real Estate SRL.

15. Inventories

Inventories	30.Jun.16	31.dec.15
Raw materials and consumables	6.907.479	8.499.274
Adjustments	(377.520)	(377.520)
Production in progress	82.479	86.183
Adjustments	-	-
Semi-products and finished products	7.700.823	9.110.190
Adjustments	(58.591)	(58.591)
Goods	1.333.504	1.434.912
Adjustments	(106.163)	(106.163)
Biological assets	-	-
Adjustments	-	-
Total	15.482.010	18.588.284

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The main sums included in the value of stocks on 30th of June 2016 are represented by salable products and raw and used materials in the production process.

The cost of inventories recognized in the profit and loss account have the following structure:

Raw materials and consumables	30.Jun.16	30.Jun.15
Raw materials	2.143.627	2.047.877
Additional material	1.522.174	1.365.540
Goods	3.054.698	2.247.030
Inventory items	108.991	51.391
Other supplies	24.076	15.937
Miscellaneous	1.456.760	1.864.032
	8.310.326	7.591.807

Adjustments of inventories

If necessary, adjustments shall be carried out for stocks, physically or morally used. The probable value of completion is estimated based on the sale price less the sale expenses.

On June 30, 2016 the following stocks are considered as tangible assets as security without dispossession of future receivables for loans held **“for details see note 18»**

Pledged stocks Romanian Commercial Bank (Banca Comerciala Romana)

No.	Product name ceramic block	Quantity MU/pc	Storage
1	EVO CERAMIC 29 240/290/238 CLS I /V2 /96 (pcs)	1.140.384	Recea
2	EVO CERAMIC 12 NF 460/120/238 CLS I /V0 /96 (pcs)	776.160	Zalau
3	EVO CERAMIC 29 240/290/238 CLS I /V0 /72 (pcs)	499.824	Beltiug
4	EVO CERAMIC 29 LM 375/290/238 CLS I /V2 /60 (pcs)	222.000	Beltiug
5	EVO CERAMIC 12 NF 460/120/238 CLS I /V0 /96 (pcs)	149.760	Beltiug
6	EVO CERAMIC 44 SUPER TH LM 240/440/238 CLS I /V2 /60 (pcs)	138.480	Recea
7	EVO CERAMIC 20 NF 450/200/238 CLS I /V2 /60 (pcs)	67.080	Recea
8	EVO CERAMIC 29 LM 375/290/238 CLS II /V2 /60 (pcs)	56.160	Recea
9	EVO CERAMIC 44 SUPER TH LM 240/440/238 CLS II /V2 /60 (pcs)	45.360	Recea
10	EVO CERAMIC 20 NF 450/200/238 CLS I /V2 /60 (pcs)	40.500	Beltiug
11	EVO CERAMIC 24 LM 430/240/238 CLS II/V2 /60 (pcs)	28.980	Recea
12	EVO CERAMIC 1/2 29 115/290/238 CLS I /V2 /160 (pcs)	25.920	Recea
13	EVO CERAMIC 1/2 44 SUPER TH 115/440/238 CLS I /V2 /96 (pcs)	25.152	Recea
14	EVO CERAMIC 12 NF 460/120/238 CLS II /V0 /96 (pcs)	24.480	Zalau
15	EVO CERAMIC 29 240/290/238 CLS I /V0 /72 (pcs)	21.096	Zalau
16	EVO CERAMIC 20 NF 450/200/238 CLS II /V2 /60 (pcs)	15.060	Recea
17	EVO CERAMIC 44 SUPER TH 240/440/238 CLS II /V0 /48 (pcs)	13.488	Zalau
18	EVO CERAMIC 24 V 240/240/238 CLS I /V1 /80 (pcs)	7.520	Recea
19	EVO CERAMIC 12 NF 460/120/238 CLS I /V0 /96 (pcs)	5.952	Recea
20	EVO CERAMIC 24 LM 430/240/238 CLS I /V2 /60 (pcs)	5.400	Recea
21	EVO CERAMIC 29 LM 375/290/238 CLS I /V2 /60 (pcs)	2.940	Recea
22	EVO CERAMIC 29 240/290/238 CLS II /V2 /96 (pcs)	2.016	Recea
23	EVO CERAMIC 24 LM 430/240/238 CLS I /V2 /48 (pcs)	1.200	Zalau

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16. Trade receivables and other receivables

Trade receivables and other receivables	30.Jun.16	31.dec.15
Trade receivables	9.563.763	13.118.812
Adjustments for trade receivables	(1.400.480)	(1.357.302)
Intragroup receivables	473.526	187.526
Adjustments for intragroup receivables	-	-
Receivables to partners / shareholders	-	-
Employees	-	-
Corporate tax	-	-
Other debts against the State Budget	197.831	195.691
Subsidies	-	-
Sundry debtors and other receivables	(4.214)	(642)
Adjustments for other receivables	-	-
Interest receivable	10.168	10.168
Total financial assets other than cash, classified as loans and receivables	8.840.594	12.154.253
Advances		
Trade receivables	208.106	1.096.666
Total	9.048.700	13.250.919

The structure of receivables according to their age on June 30, 2016 is as follows:

Analysis of age	30.Jun.16	31.dec.15
Outstanding receivables	6.417.092	9.760.284
Unadjusted outstanding receivables		
Up to 3 months	1.228.563	1.744.014
months 3 to 6	359.999	237.520
months 6 to 12	218.110	6.082
over 12 months	0	22.269
Total	8.223.764	11.770.169
Adjustments	30.Jun.16	31.dec.15
At the beginning of the period	1.357.302	1.564.709
Established during the year	60.483	37.708
Costs during the period with bad debts		
Cancellation of unused adjustments	-17.305	-245.115
Exchange differences		
At the end of the period	1.400.480	1.357.302

Through the credit control system, the Company has diminished the losses from doubtful debts, along the year 2015 they totalized 37.708 lei, and efforts were constantly made in order to recover old

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debts/receivables, as it shows the dynamic of adjustments for trade receivables.

The company's trade receivables consist of a large number of customers. The permanent evaluation of the customer credits is carried out on the financial condition of the customers.

In order to reduce the credit risk, the company has established a commercial credit insurance with the company Coface.

On 30th of June 2016 the number of customers insured with Coface is of 195 out of a total of 250 active customers. The total value of these limits offers a significant coverage of the non-collection risk.

17. Trade and other liabilities

Trade and other liabilities	30.Jun.16	31.dec.15
Trade liabilities	7.302.668	7.176.439
Suppliers of fixed assets	172.822	95.384
Intra-group liabilities	-	-
Lease liabilities	23.608	20.106
Debt related to employees	469.128	417.118
Taxes and social contributions	442.445	427.130
Other tax liabilities	1.421.629	107.901
Other liabilities	361.190	1.061.906
Interest to pay	180.202	219.027
Total debt less loans classified as measured at amortized cost	10.373.693	9.525.010
Dividends	-	-
Advances	179.299	41.645
Revenue in advance	-	-
Total	10.552.992	9.566.655

18. Loans

The classification of short-term and long-term loans on the 30th of June 2016 is the following:

Loans	30.Jun.16	31.dec.15
Current		
Short-term loans and overdraft		
Current long-term loans	3.644.080	3.333.000
Bonds	-	-
Loans from non-banking institutions		
Financial lease	773.013	804.464
Loans from affiliates	-	-
	4.417.093	4.137.464
Long-term loans		

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Long-term loans	50.294.970	51.772.600
Bonds	-	-
Financial lease	1.042.948	1.314.099
Other debts	32.810	-
	51.370.728	53.086.699
Total	55.787.821	57.224.163

On 30th of June 2016, the structure of loans is as follows:

	30.Jun.2016	31.dec.15
Loan institution	LEI	LEI
Romanian Commercial Bank	53.939.450	55.105.600
Interests	177.271	216.096
TOTAL	54.116.721	55.321.696

In 2016 the Company did not have unused loan facilities.

The bank guarantees consisting in non-current assets on the 30th of June, 2016, related to the contracted loans have the following structure:

Pledged and restricted tangible assets 30.06.2016	Final balance
Land	6.197.466
Land arrangements	413.065
Buildings	33.881.846
Machines, plants and equipment	103.538.705
Furniture and office appliance	230.074
Assets in progress	1.249.981
Total	145.511.137

Other bank securities related to loans:

Security interest in real property without dispossession of the credit balance of the accounts/subaccounts opened by the entity at the Bank, in the Electronic Archive for Security Interests in Movable Property registered;

Security interest in real property without dispossession of inventories of finished products consisting of:

No.	Ceramic block product name	Quantity um/pc.	Storage
1	EVOCERAMIC 29 240/290/238 CLS I /V2 /96 (pcs)	1.140.384	Recea
2	EVOCERAMIC 12 NF 460/120/238 CLS I /V0 /96 (pcs)	776.160	Zalau
3	EVOCERAMIC 29 240/290/238 CLS I /V0 /72 (pcs)	499.824	Beltiug
4	EVOCERAMIC 29 LM 375/290/238 CLS I /V2 /60 (pcs)	222.000	Beltiug
5	EVOCERAMIC 12 NF 460/120/238 CLS I /V0 /96 (pcs)	149.760	Beltiug
6	EVOCERAMIC 44 SUPER TH LM 240/440/238 CLS I /V2 /60 (pcs)	138.480	Recea
7	EVOCERAMIC 20 NF 450/200/238 CLS I /V2 /60 (pcs)	67.080	Recea
8	EVOCERAMIC 29 LM 375/290/238 CLS II /V2 /60 (pcs)	56.160	Recea
9	EVOCERAMIC 44 SUPER TH LM 240/440/238 CLS II /V2 /60 (pcs)	45.360	Recea
10	EVOCERAMIC 20 NF 450/200/238 CLS I /V2 /60 (pcs)	40.500	Beltiug
11	EVOCERAMIC 24 LM 430/240/238 CLS II/V2 /60 (pcs)	28.980	Recea
12	EVOCERAMIC 1/2 29 115/290/238 CLS I /V2 /160 (pcs)	25.920	Recea

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13	EVO CERAMIC 1/2 44 SUPER TH 115/440/238 CLS I /V2 /96 (pcs)	25.152	Recea
14	EVO CERAMIC 12 NF 460/120/238 CLS II /V0 /96 (pcs)	24.480	Zalau
15	EVO CERAMIC 29 240/290/238 CLS I /V0 /72 (pcs)	21.096	Zalau
16	EVO CERAMIC 20 NF 450/200/238 CLS II /V2 /60 (pcs)	15.060	Recea
17	EVO CERAMIC 44 SUPER TH 240/440/238 CLS II /V0 /48 (pcs)	13.488	Zalau
18	EVO CERAMIC 24 V 240/240/238 CLS I /V1 /80 (pcs)	7.520	Recea
19	EVO CERAMIC 12 NF 460/120/238 CLS I /V0 /96 (pcs)	5.952	Recea
20	EVO CERAMIC 24 LM 430/240/238 CLS I /V2 /60 (pcs)	5.400	Recea
21	EVO CERAMIC 29 LM 375/290/238 CLS I /V2 /60 (pcs)	2.940	Recea
22	EVO CERAMIC 29 240/290/238 CLS II /V2 /96 (pcs)	2.016	Recea
23	EVO CERAMIC 24 LM 430/240/238 CLS I /V2 /48 (pcs)	1.200	Zalau

Property of SC CEMACON SA, registered in the Electronic Archive for Security Interests in Movable Property.

Assignments of all future and present debts and collections coming from or related to the present and future commercial contracts of the company.

First lien mortgage over: banking accounts, amounts of money from accounts, insurances, debts, tangible assets, intellectual property rights.

Collateral guarantees – first lien real estate mortgage over movables and immovables in property of SC Cemacon Real Estate.

19. Employee's benefits

The debts regarding the employees' benefits consist of:

1) Indemnity for annual leave which is annually granted for the leaves used in the reference year. For the unused leaves, the company established at the end of the year a provision for unused leaves.

2) Upon retirement, according to the collective labour agreement valid in 2016, the employees shall receive once, according to the seniority in the company, the following indemnities:

< 5 years	0
5 – 20 years	1 individual salary on the retirement date
> 20 years	2 individual salaries on the retirement date

For this type of indemnity, the company established a provision with the value of benefits granted at retirement. For details, see note 20 Provisions.

Employee's benefits	Jun.16	dec.15
Benefits upon retirement	394.774	394.774
Provision related to the annual leave	42.197	205.766
Employee Bonuses	824.988	1.130.057
Management bonuses	396.693	1.127.108
Total	1.658.652	2.857.705

Structure of Benefits	Jun.16	dec.15
Short-term	1.263.878	2.462.931
Long-term	394.774	394.774
Total	1.658.652	2.857.705

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In case of unjust dismissal of the General Manager, he/she shall be entitled in addition to other compensations under the law or this agreement to receive an amount equal to the remaining amount which he/she would have received until the end of term, but not more than €60,000 (in net amount), as compensation for his/her dismissal.

In case of unjust dismissal of the Financial Manager, he/she shall be entitled in addition to other compensations under the law or this agreement to receive an amount equal to the remaining amount which he/she would have received until the end of term, but not more than €48,000 (in net amount), as compensation for his/her dismissal.

In case of unjust dismissal of the President of the Board of Directors – Orion Strategy Solution, he/she shall be entitled in addition to other compensations under the law or this agreement to receive an amount equal to the remaining amount which he/she would have received until the end of term, but not more than €60,000 (in net amount), as compensation for his/her dismissal.

20. Provisions

The structure of provisions on the 30th of June 2016 is the following:

Provision	Initial balance	Additional provisions	Used amounts	Reversal of unused amounts	Increases regarding the discount of amounts once with the passing of time	Effects of the discount rate change	Final balance
Disputes	1.728.391	-	-	-	-	-	1.728.391
Unused leaves	205.766	-	163.569	-	-	-	42.197
Pensions	394.774	-	-	-	-	-	394.774
Environmental reclamation provision	401.720	24.143	-	-	-	-	425.863
Bonus provision for employees	1.130.057	824.988	1.130.057	-	-	-	824.988
Bonus provision for management	1.127.108	396.693	1.127.108	-	-	-	396.693
Other provisions	223.977	7.672	-	-	-	-	231.649
Total	5.211.793	1.253.496	2.420.734	-	-	-	4.044.555

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The structure of short-term and long-term provisions is the following:

Structure of provisions	Short term	Long term
Disputes	1.728.391	-
Unused leaves	42.197	-
Pensions	-	394.773
Environmental reclamation provision	-	425.863
Other provisions	1.453.331	-
Total	3.223.919	820.636

During the year 2016 the Company reversed a series of provisions referring to the following elements:

Cancellation of provisions of employee and management bonuses, established at the end of 2015 and granted in 2016 for year 2015 in amount of 2.25 mil lei. Cancellation other provisions in amount of 0.16 mil lei

On 30th of June 2016 the Company had provisions established for risks and expenses in amount of 4.04 mil lei. The main sums refer to:

1. Dispute with the company Viezentel Money Management SRL, requiring the payment of EURO 300,000 success fee + legal expenses, as a consequence of the provision of services contract of 21st of May 2012
2. Provision for management bonuses in amount of 1.22 mil lei
3. Dispute with Ana Pop, requiring the payment of 71,041 updated with the legal interest + legal expenses, as a consequence of the management contract of year 2006 and the corresponding addenda.
4. Provision for unused leaves related to year 2015 in amount of 0.04 mil lei
5. Other provisions in amount of 1.05 mil lei.

The Company established provisions for the following events which shall generate future cash outflows as a result of past events:

- Dispute provisions: under the existing disputes on the 30th of June, 2016, and using the best estimates regarding their settlement, the company established provisions for the estimated amounts to be paid. The presented amounts include both the estimated compensations on the 30th of June, 2016, and the related legal expenses.
- Provisions for unused leaves: the company registered provisions for leave-related expenses unused by the employees in 2015. The provisioned amounts were estimated based on the number of leave days related to 2015 which remained to be used by the company's employees and related leave indemnities. The company estimates that the amounts related to such provisions shall be done in 2016.
- Environmental reclamation provisions: due to the fact that the company also carries out activities related to mineral resource exploitation (clay) under the operating permits and

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Notes to Financial Statements for the period ended 30th of June 2016

licenses, it is liable to make environmental reclamation expenses related to the exploited perimeters. The related expenses are estimated to be achieved by the end of the exploitation period, which is why the company established provisions related to such expenses.

- Other provisions: within such categories, various provisions are included for which the entity is expected to achieve short-term cash outflows but with uncertain value. To estimate such amounts, the company used the best estimates and knowledge on the generating facts on the 30th of June, 2016.

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for the period ended 30th of June 2016

List of Disputes on 30th of June 2016

Number of file	Plaintiff	Defendant	Object	Court	Stage	Value of dispute	Explanations
4772/337/2012	Crisan Alexa	SC CEMACON SA	Claims	Zalau Court	Retrial	293.000 lei	Retrial of the case after the appeal, following the unfavourable settlement in the lower court, with a compensation of 100.000 lei. The actual value of the dispute is given by the amount of the relevant reports, it is not the value currently granted by the court.
5595/337/2015	POP ANA PRIN AV VULTUR IOAN	CEMACON	Sue petition	Zalau Court	Substance	71.041 lei	Dispute in claims related to the total amount due as reversal compensation without just cause in case of a former member of the company's management (demanding a larger amount of this compensation).
1674/1285/2015	VIZENTAL MONET MANAGEMENT	CEMACON	Sue petition	Complex Business Court Cluj	Substance	300.000 euro	Success fee required by court action, not granted by the company as a consequence of a legal opinion, independent in this sense (non granting) .

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21. Deferred tax

Deferred income tax	Jun. 16	Dec. 15
Total deferred tax at the beginning of the period	35.975	2.634.517
Temporary reversed differences		(2.598.542)
Acknowledgment of the deferred tax receivables which were not previously acknowledged	-	-
Total Deferred income tax	35.975	35.975
<hr/>		
Total tax	35.975	35.975

For the equipment in Recea production factory, the company calculates depreciation per product unit, case in which there is a difference between the calculated depreciation according to the fiscal model and the applicable one. For this difference, the company calculates and registers the deferred income tax.

The receivable from the deferred income tax incurred as a result of accrued fiscal losses registered by the entity in the previous years. The fiscal loss was mostly caused by the financial costs related to the loans which the company has.

As a result of the signature of the term-sheet agreement for the restructuring of loans signed with the Romanian Commercial Bank, a reduction of financial costs is registered; therefore, the financial loss is mostly recovered, reversing the amount of 2.598.542 to expenses with deferred corporate tax.

22. Assets classified as for sale

Following the process of restructuring the loans signed with Romanian Commercial Bank (Banca Comerciala Romana), most of the assets held for sale were transferred to Cemacon Real Estate Srl.

These assets, representing lands, buildings and equipment of Zalau city, in amount of 21,6 mil lei, were transferred from Cemacon SA to Cemacon Real Estate at the same time with the novation of 5 mil euros from the banking debt.

Out of the assets object of the transfer, a building of 0.1 mil lei and a land in Cariera Tunari, of 1.06, could not be transferred during 2015, but shall be transferred when the transfer requirements are met.

Fixed assets	Book value on 31 Dec.2015	Amortizatio ns	Outflows	Revaluatio n gain	Book value on 31 Jun 2016
Lands	1.061.448				1.061.448
Buildings	101.990				101.990
Total	1.163.438				1.163.438

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23. Issued Capital

On the 30th of June 2016 the structure of issued capital was as follows:

Structure of issued capital	31.Jun.16	31.dec.15
Number of authorized shares	113,990,218 buc	113,990,218 buc
Number of subscribed and paid-up shares	113,990,218 buc	113,990,218 buc
Number of subscribed and unpaid-up shares	-	-
Nominal value of a share	0.10 lei	0.10 lei
Issued capital value	11.399.022	11.399.022

All shares of the company are common and have the same voting right.

The movements of the capital structure in 2016 are presented in the following table:

	31.Jun.16		31.dec.15	
	Number	Value	Number	Value
Ordinary shares of RON 01 each	113,990,218 buc	11.399.022 lei	82,191,053 buc	8,219,105 lei
Reduction by entrainment of losses	-	-	-	-
Emissions during the year	-	-	31,799,165 buc	3,179,917 lei
Acquisitions of own shares	-	-	-	-
TOTAL	113,990,218 buc	11,399,022 lei	113.990.218 buc	11.399.022 lei

The changes at the equity level in 2015 were generated by the conversion in shares of a debt totalizing RON 58 millions, indicating the completion of the restructuring process and the entering among Cemacon's shareholders of the investment fund Business Capital for Romania-Opportunity Fund Cooperatied U.A from Holland.

The structure of the shareholders on 30th of June 2016 is as follows:

Shareholder	Number of shares	Percent
BUSINESS CAPITAL FOR ROMANIA-OPPORTUNITY FUND COOPERATIEF U.A., AMSTERDAM NLD	31.799.068	27,8963%
KJK CARAMIDA SRL, BUCURESTI, 1 st DISTRICT	31.799.065	27,8963%
SC CONSULTANTA ANDREI&ANDREI SRL, ARAD, ARAD county	17.586.728	15,4283%
S.S.I.F. BROKER S.A. CLUJ-NAPOCA, CLUJ county	16.657.252	14,6129%
Other shareholders / others	16.148.105	14,1662%
TOTAL	113.990.218	100%

Source: CENTRAL DEPOSITORY, Date: : 06/30/2016

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KJK Caramida, Consultanta Andrei & Andrei, S.S.I.F Broker declared to act together.

Credit agreement no. 2 of 19th of March 2015, signed between Cemacon S.A and Romanian Commercial Bank (Banca Comerciala Romana) is guaranteed by a share pledge, representing 51% of the capital of SC Cemacon S.A, shares belonging to the main institutional shareholders of Cemacon S.A.

24. Reserves

The following describe the nature and type of each reserve from own capitals:

Type of reserve	Description and purpose
<i>Legal reserve</i>	They are annually established from the company's profit in the quantities and limits provided by the law. In 2015, the limits are 5% applied on the accounting profit until it reaches 20% of the paid-up subscribed capital. At the end of 2015, the company's reserves reached 20% of the subscribed capital, which is why in 2015 there are reserves in amount of 454.548 lei
<i>Revaluation reserve</i>	The revaluation reserves are established from the differences resulted from the revaluation of tangible and intangible assets. The presentation of the revaluation reserves shall be done according to each type of non-current asset and on each revaluation operation which took place. In 2015, the company made the revaluation and registered the revaluation results according to the accounting policies.
<i>Other reserves</i>	There are other reserves not provided by the law which were optionally established on the net profit to cover the accounting losses or for other purposes, under the decision of the general meeting of shareholders, by complying with the legal provisions. In 2015, the company did not register other reserves.

Type of reserve	Initial balance	Increases	Reduction	Final balance
Legal reserves	1.596.694		-	1.596.694
Revaluation reserves	15.334.688			15.334.688
Other reserves	1.700.933	-	-	1.700.933
Total	18.632.315	-	-	18.632.315

25. Lease

On the 30th of June 2016 the company concluded financial lease agreements with the following lease companies:

Lease company	Type of lease	Leased property
PORSCHE LEASING ROMANIA IFN	Financial lease	Vehicles
IMPULS LEASING	Financial lease	Machines, equipment

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The situation of debts regarding the financial lease on the 30th of June, 2016 is the following:

Leased assets	Initial balance	Increases	Reduction	Final balance
Buildings				
Vehicles	785.212	94.699	183.747	696.164
Equipment	1.333.351	0	213.554	1.119.797
Total	2.118.563	94.699	397.301	1.815.961

The due date of the lease payments during 2016-2017 is presented in the following table:

Lease payment due date	Total value	Interest	Net value
less than 1 year	834.686	61.673	773.013
between 1-5 years	1.080.063	37.115	1.042.948
over 5 years	0	0	0
Total	1.914.749	98.788	1.815.961

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26. Transactions with affiliates

The company's affiliates are:

- Cercon Ariesul with registered office in Campia Turzii, 1 Ialomitei str. Cluj county; Cemacon holds shares in this company SA – bankruptcy
- Consultanta Andrei&Andrei Srl with registered office in Bucharest, 1st district, 14 Jandarmeriei str., building A2, 3rd entrance, ap. 2; tax identification no. CIF: RO 17345454, Trade Register no J40/14670/2011; Director of Cemacon SA
- KJK Fund II SICAV-SIF with the registered office in Luxembourg, 412F Esch Road, code L-2086 Director of Cemacon, KJK Caramida Srl (subsidiary wholly owned by KJK Fund II) with registered office in Bucharest, 1st district, 22 Gheorghe Marasoiu str., Ap. 5, tax identification no. CIF 34187516, Trade Register no. J40/2627/2015. Declared to act together with Consultanta Andrei& Andrei, S.S.I.F Broker
- Orion Strategy Solution Srl with the registered office in Cluj County, Cluj-Napoca, 7 Artelor Str.; Tax identification number RO 26118990; Trade Register number J12/3026/2013; Chairman of Cemacon SA Board of Directors Liviu-Ionel Stoleru, General Manager of Cemacon SA, is the Director of Orion Strategy Solution Srl and representative of this entity of the Board of Directors of Cemacon SA.
- KJK Caramida SRL, Bucharest, 1st district
- Cemacon Real Estate, with the registered office in Salaj county, Municipality of Zalau, 1 Fabricii str., CUI RO 32604048; Company property of Cemacon SA in proportion of 100%.
- Business Capital for Romania -Opportunity Fund Cooperatief U.A., Holland.
- RSL Capital Advisors SRL, Bucharest, CIF. 33165056, R.C J40/5774/2014

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Transactions with affiliates (Continued)

The transactions with affiliates are summarized in the following table:

Affiliates	Service sales		Service acquisitions		Transfer of assets	Transfer of loan
	1 Jan - 31 Mart. 2016	1 Jan - 31 Dec. 2015	1 Jan - 30 Jun. 2016	1 Jan - 31 Dec. 2015	1 Jan - 31 dec 2015	1 Jan - 31 dec 2015
Consultanta Andrei&Andrei Srl*	-	-	67.368	138.103	-	-
KJK Fund II SICAV-SIF	-	-	42.881	113.097	-	-
Orion Strategy Solution Srl*	-	-	346.424	605.081	-	-
Cemacon Real Estate	-	406.201	255.637	678.210	22.229.500	22.229.500
Total	-	406.201	712.310	1.524.674	22.229.500	22.229.500

Amounts in Lei

The balances with affiliates are summarized in the following table:

Affiliates	Receivables from affiliates		Debts to affiliates		Loans received from shareholders		Loans granted	
	30.Jun.16	31.dec.15	30.Jun.16	31.dec.15	01.01.2016-30.06.2016	01.01.2015-31.12.2015	01.01.2016-30.06.2016	01.01.2015-31.12.2015
KJK Fund II SICAV-SIF	-	-	342.358	299.477	-	-	-	-
Orion Strategy Solution Srl	-	-	49.198	51.200	-	-	-	-
Cemacon Real Estate	-	5.465	250.172	-	-	-	286.000	475.168
Total	-	5.465	641.728	350.677	-	-	286.000	475.168

Amounts in Lei

* Director of Cemacon SA

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27. Cash & Cash Equivalents

Cash & Cash Equivalents	30.Jun.16	31.dec.15
Cash at bank	20.460.077	10.839.694
Cash and cash equivalents	440	894
Deposits	-	-
Miscellaneous	-	-
Total	20.460.517	10.840.588

28. Other financial assets

On 30th of June 2016 the Company had a number of 17.180 certificates of greenhouse gas emissions in amount of 528.402 entered at their market price. They are received on a free basis according to the regulations in force and to the plan of assigning the certificates of greenhouse gas emissions, for the period 2013-2020, or purchased by the company, depending upon the number of certificates corresponding to the company.

29. Adjustments of accounting errors

In 2016 the Company did not have adjustments of accounting errors corresponding to the previous years.

30. Payment based on shares

Considering the decision no. 1 of the Ordinary General Meeting of Shareholders of Cemacon SA as of the 25th of October, 2013, implemented by the Decision no. 108 of the Board of Directors of Cemacon SA as of the 24th of September, 2014 and management agreements signed with the company's managers whereby there is the obligation to grant a bonus in the Company's shares to the management, more exactly, during 2014-2016, within the total limit of 5% of the Company's issued capital during the aforementioned period and within the minimum annual limit of 1.6% of the Company's issued capital.

The bonus shares for the management refer to 5% of the capital stock of Cemacon S.A, and shall be granted on a free basis.

On 30.06.2016, the company has evaluated the share based payment, with settlement in equity instruments, achieving the corresponding growth directly in ownership equity, in amount of 1.634.562. The amount was assigned proportionally with the number of months corresponding to the first half of year 2016.

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	2016	2016	2015	2015
	Weighted average of the acquisition price (RON)	Number of shares	Weighted average of the acquisition price (RON)	Number of shares
Unpaid at the beginning of period	0.3374	3,875,664	0.3374	3,875,664
Granted during the year	0.3374	968,918	-	-
Canceled during the year	-	-	-	-
Used during the year	-	-	-	-
Expired during the year	-	-	-	-
Unpaid at the end of period	0.3374	4,844,582	0.3374	3,875,664

The total number of shares to be granted within the agreement is 5.999.485.

Cemacon management maintains the level of share price previously calculated, starting from a share value of 0.3374 lei/per share. This price started from the market value of the share, public on BVB on the reference date upon the establishment of the provision, and we keep considering it as the most relevant indicator based on which the provision is established.

More, since the calculation of the provision, period during which all the stages of debt restructuring were implemented, including the conversion of the debt of over 13 million euros in shares, the evolution of the share has fluctuated around this determined value as a reference value.

Upon the date of drafting this report, the share is traded with 0.3380 lei/per share. In order to obtain the fair value of the share, the company used level 2 information.

31. Other information

Information on the Company's presentation:

Cemacon SA is a Romanian legal entity, established as joint stock Company under the Government Decision no. 1200/1991 with the registered office in Cluj-Napoca, 48 Dorobantilor St., Silver Business Center, 1st floor, Cluj County. The company's main activity is "Manufacture of bricks, roof tiles and construction products, in baked clay".

The bases of conversion used to express in national currency the assets and liabilities, income and expenses initially outlined in a foreign currency:

The way used to express the property items in national currency, income and expenses emphasized in a foreign currency is presented in Note 1. The main exchange rates used for RON conversion of balances expressed in foreign currency on the 31st of December, 2015, and 30th of June, 2016, are:

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Foreign currency	Abbreviation	Exchange rate	
		30-Jun-16	31-dec-15
Dolar SUA	USD	4.0624	4.1477
Euro	EUR	4.5210	4.5245

Fees paid to auditors

All paid fees refer to the audit services on the individual financial statements prepared by the Company under IFRS.

Current financial statements were not audited. The company makes the audit of financial statements according to current regulations.

Amendments

The directors are not entitled to subsequently amend the financial statements.

The financial statements together with the notes to the financial statements are **authorised in order to be published on the 10th of August 2016.**

After they are published the consolidated financial statements can not be subject to any more amendments.

32. Contingents

Contingent debts

In the context of restructuring the Company's banking debts, completed in September 2015, Cemacon SA assumed to guarantee the payment obligation of Cemacon Real Estate SRL, 100% owned by Cemacon SA, so that the entity established a first lien mortgage in favor of the creditor (BCR) over all the shares owned by the Bank in Cemacon Real Estate, as well as a personal security (suretyship), in a maximum amount of EURO 3.000.000.

The net book value of the assets held for sale in Cemacon Real Estate SRL totalize RON 22.065.392 (euro 4.876.869, calculated at the lei/euro exchange rate communicated by the national Bank of Romania on 31st of December 2015) representing 97.5% of the debt of Cemacon Real Estate SRL to Banca Comerciala Romana (Romanian Commercial Bank). The book value is based on evaluation reports on 31.12.2015, prepared by ANEVAR, certified appraiser.

Based on the developed sales procedures (purchase offers received) and on the real estate market information, the management of Cemacon S.A considers improbable an outflow of resources as the suretyship existent between Cemacon S.A and Cemacon Real Estate SRL, at the end of the period of 5 years related to the credit of Cemacon Real Estate SRL.

Taxation

The Company deems that it paid on time and fully all taxes, fees, penalties and penalty interest, if applicable.

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All amounts due to the State for taxes and fees were paid or registered on the balance date. The Romanian tax system is undergoing consolidation and harmonization with the European legislation, there being different interpretations of the authorities in connection with the tax legislation, which may give rise to taxes, fees and additional penalties. If the state authorities discover violations of the Romanian legal provisions, they may be determined as applicable: confiscation of the concerned amounts, imposition of additional tax liabilities, imposition of fines, application of delay increases (applied to remaining actual payment amounts).

In Romania, the tax year is opened for verifications for a period of 5 years.

Transfer price

Under the relevant tax legislation, the tax assessment of a transaction with the affiliates is based on the market price concept related to that transaction. Under this concept, the transfer prices must be adjusted so as to reflect the market prices which would have been established between the entities between which there is no relation of affiliation and which act independently under "normal market conditions".

It is likely that the transfer price verifications are carried out in the future by the tax authorities to determine whether these prices comply with the principle of "normal market conditions" and that the taxable base of the Romanian taxpayer is not distorted.

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33. Reconciliation of the Financial Position statement

Fixed assets	30.jun.2016	31.dec.15
Other fixed assets MF	114.742	115.381
Deferred tax		
Investments in shares IFRS	200	200
Other fixed assets IFRS	114.742	115.381
Check	0	0
Current assets	30.jun.2016	31.dec.15
Stocks MF	16.746.614	19.753.192
Advances (acc. 4091)	101.166	1.470
Assets held as for sale IFRS	1.163.438	1.163.438
Stocks IFRS	15.482.010	18.588.284
Check	0	0
Receivables MF	8.908.999	13.087.100
Deferred tax	-35.974	-35.974
Expenses in advance	64.123	77.545
Advances (acc. 4091,3)	116.166	122.890
Treasury advances	-4.614	-642
Receivables IFRS	9.048.700	13.250.919
Check	0	0
Cash and cash equivalents MF	20.455.903	10.839.946
Treasury advances	-4.614	-642
Cash and cash equivalents IFRS	20.460.517	10.840.588
Check	0	0
Reserves	30.jun.2016	31.dec.15
Reserves MF	18.632.315	18.632.315
Reserves repr. revaluation surplus		
Reserves IFRS	18.632.315	18.632.315
Check	0	0
Balance carried forward	30.jun.2016	31.dec.15
Balance carried forward MF	3.359.932	5.276.473
Result carried forward from complying with IAS 29 MF	10.665.606	10.665.606
Current result MF	829.771	9.090.953
Reserves repr. revaluation surplus		
Allocation of profit (legal reserve)		454.548
Balance carried forward IFRS	-6.475.903	-7.305.674
Check	0	0

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Notes to Financial Statements
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34. Reconciliation of the global result

Operating income	30.jun.2016	30.Jun.15
Operating income MF	38.681.030	67.379.308
Revenues from provisions	2.420.734	1.376.115
Expenses related to adjustment of stocks		
Operating income IFRS	42.549.210	68.755.423
Revenues from active sales	9.281	
Variation of stocks IFRS	-1.456.727	
Check	0	0

Operating expenses	30.jun.2016	30.Jun.15
Operating expenses MF	35.726.224	54.278.410
Revenues from provisions	2.420.734	1.376.115
Operating expenses IFRS	38.146.958	55.654.525
Check	0	0

General Manager

Financial Manager

Stoleru Liviu

Sologon Daniel

Signature _____

Signature _____

Company's stamp



** This document was translated from Romanian to English by an authorized translator. Cemacon SA is not responsible for any translation errors or misinterpretation of information contained in this document. Reporting language is Romanian and in case of misinterpretation the Financial Statements issued in Romanian shall apply.

*** The information contained in this document are provided under IFRS (International Financial Reporting Standards). The company has made every effort to ensure the information presented is complete, accurate and free of material errors. Where necessary, both the company and management, used the professional judgment in conjunction with interantional financial reporting standards to present information in a manner consistent with the specific activity of the business. Interpretation of information presented in this document must be made in accordance with these standards. If there are gaps nor interpretations different from the mentioned regulations the provisions set out in International Financial Reporting Standards (IFRS) will apply. The unaudited financial information set forth above is preliminary and subject to adjustments and modifications. Adjustments and modifications to the financial statements may be identified during the course of the audit work, which could result in significant differences from this preliminary unaudited financial information.